INVESTOR PACK

FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

RELEASE DATE 14 FEBRUARY 2019

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

Suncorp Group ('Group', 'the Group', 'the Company' or 'Suncorp') is comprised of Suncorp Group Limited (SGL) and its subsidiaries, its interests in associates and jointly controlled entities. The Group's results and historical financial information are reported across three functions: Insurance (Australia), Banking & Wealth and New Zealand.

Net profit after tax (NPAT) for the Group is measured in accordance with Australian Accounting Standards. Profit after tax from functions, associated ratios and key statistics are based on the segment reporting disclosures that follow Suncorp's operating model.

All figures have been quoted in Australian dollars rounded to the nearest million unless otherwise denoted. The New Zealand section reports the Profit Contribution table in both A$ and NZ$ and all other New Zealand tables and commentary in NZ$.

All figures relate to the half year ended 31 December 2018 and comparatives are for the half year ended 31 December 2017, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology. Movements within the financial tables have been labelled 'n/a' where there has been a percentage movement greater than 500% or less than (500%), or if a line item changes from negative to positive (or vice versa) between periods.

This report has not been audited nor reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with the Group's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards. In the context of ASIC's Regulatory Guide 230, this report contains information that is 'non-IFRS financial information', such as the General Insurance Underlying Insurance Trading Result and the Life underlying profit after tax. The calculation of these metrics is outlined in the report and they are shown as they are used internally to determine operating performance within the various functions.

This report should be read in conjunction with the definitions in the glossary.

DISCLAIMER

This report contains general information on the Group and its operations which is current as at 14 February 2019. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Group or any product or service offered by Suncorp or any of its subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These factors should be considered, with or without professional advice, when deciding if an investment is appropriate.

This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to the business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

Registered office

Level 28, 266 George Street
Brisbane Queensland 4000
suncorpgroup.com.au

Investor Relations

Kelly Hibbins
EGM Investor Relations
0414 609 192
(02) 8121 9208
kelly.hibbins@suncorp.com.au

Jatin Khosla
EM Investor Relations
0439 226 872
(07) 3362 1322
jatin.khosla@suncorp.com.au

TABLE OF CONTENTS

1.0 GROUP RESULTS

1.1 RESULT HIGHLIGHTS

		Half Year Ended			Dec-18	Dec-18
		Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
Net earned premium - Insurance (Australia)	$M	3,689	3,548	3,643	4.0	1.3
Net interest income - Banking & Wealth	$M	585	583	598	0.3	(2.2)
Net earned premium - New Zealand	$M	641	604	564	6.1	13.7
Profit after tax from ongoing functions	$M	427	705	480	(39.4)	(11.0)
Profit after tax from functions	$M	450	741	522	(39.3)	(13.8)
Cash earnings	$M	413	626	472	(34.0)	(12.5)
Net profit after tax	**$M**	**250**	**607**	**452**	**(58.8)**	**(44.7)**
Cash earnings per share - Diluted	(cents)	31.54	47.30	36.11	(33.3)	(12.7)
Cash return on average shareholders' equity	(%)	6.0	9.2	6.8		
Insurance trading ratio	(%)	7.4	16.3	8.0		
Underlying insurance trading ratio	(%)	12.2	11.7	9.4		
Bank net interest margin (interest-earning assets)	(%)	1.79	1.82	1.86		
Ordinary dividends per ordinary share	(cents)	26.0	40.0	33.0	(35.0)	(21.2)
Payout ratio - cash earnings (1)	(%)	81.4	99.1	90.1		
General Insurance Group PCA coverage	(times)	1.67	1.84	1.66		
Bank Common Equity Tier 1 ratio	(%)	9.16	9.07	9.01		

Refer to the Glossary for definitions. (1) Payout ratio for Jun-18 is inclusive of the special dividend.

- **Group top-line growth of 3.2%** driven by solid gross written premium (GWP) growth in Australia, strong growth across all New Zealand portfolios and 2.4% growth in Bank lending assets
- Business Improvement Program (BIP) delivered net benefits of $95m, with $296m annualised gross benefits locked-in. **Upgraded full year net benefits to in excess of $225m**
- **Profit after tax from ongoing functions declined 11.0%** impacted by $220m in natural hazard costs above allowance, a $140m negative impact on the prior corresponding period (pcp) from investment market movements and unanticipated regulatory project costs, $10m. Adjusting for these external factors **Cash ROE was 9.7%**
- Group NPAT of $250m, includes a **$145m write down of goodwill** on the sale of Australian Life
- **Total ordinary dividends of 26 cents per share** fully franked, cash earnings payout ratio of 81.4%
- General Insurance underlying **insurance trading ratio (UITR) was 12.2%.** Reported ITR was 7.4%
- **Net reserve releases of $172m,** $47m above pcp and above the long-run expectation of 1.5% net earned premium
- Insurance (Australia) profit after tax declined 43.2% to $133m due to the impact of natural hazards costs above allowance and investment market movements
- Australian Home and Motor GWP increased 3.0% (excluding FSL)
- Banking & Wealth profit after tax of $183m reflecting moderating system growth, increasing competition and elevated funding costs. **CTI and NIM targets** impacted by these factors
- Home lending growth below system and at-call deposit growth materially above system
- Banking **impairment charges of 2bps** of GLA, well below the long-run operating range of 10–20bps
- **New Zealand General Insurance GWP** increased 8.2% (in New Zealand dollar terms) driven by premium increases across all portfolios
- New Zealand profit after tax of NZ$120m (A$111m) **increased 79.1% on pcp**
- Underlying operational performance is tracking in line with expectations. Regulatory project costs above forecast, natural hazard costs above allowance and investment market volatility are **expected to impact FY19 reported Cash ROE**

1.2 CONTRIBUTION TO PROFIT BY FUNCTION

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Insurance (Australia)					
Gross written premium	4,101	4,133	4,004	(0.8)	2.4
Net earned premium	3,689	3,548	3,643	4.0	1.3
Net incurred claims	(2,855)	(2,333)	(2,724)	22.4	4.8
Operating expenses	(769)	(733)	(773)	4.9	(0.5)
Investment income - insurance funds	125	138	120	(9.4)	4.2
Insurance trading result	190	620	266	(69.4)	(28.6)
Other income	(15)	20	62	n/a	n/a
Profit before tax	175	640	328	(72.7)	(46.6)
Income tax	(42)	(193)	(94)	(78.2)	(55.3)
Insurance (Australia) profit after tax	**133**	**447**	**234**	**(70.2)**	**(43.2)**
Banking & Wealth					
Net interest income	585	583	598	0.3	(2.2)
Net non-interest income	23	26	34	(11.5)	(32.4)
Operating expenses	(341)	(332)	(347)	2.7	(1.7)
Profit before impairment losses on loans and advances	267	277	285	(3.6)	(6.3)
Impairment losses on loans and advances	(7)	(14)	(13)	(50.0)	(46.2)
Banking profit before tax	260	263	272	(1.1)	(4.4)
Income tax	(78)	(79)	(81)	(1.3)	(3.7)
Banking profit after tax	**182**	**184**	**191**	**(1.1)**	**(4.7)**
Wealth profit after tax [(1)]	**1**	**-**	**(6)**	**n/a**	**n/a**
Banking & Wealth profit after tax	**183**	**184**	**185**	**(0.5)**	**(1.1)**
New Zealand					
Gross written premium	768	719	703	6.8	9.2
Net earned premium	641	604	564	6.1	13.7
Net incurred claims	(315)	(363)	(319)	(13.2)	(1.3)
Operating expenses	(201)	(190)	(182)	5.8	10.4
Investment income - insurance funds	7	5	7	40.0	-
Insurance trading result	132	56	70	135.7	88.6
Other income	2	13	(3)	(84.6)	n/a
Profit before tax	134	69	67	94.2	100.0
Income tax	(39)	(16)	(21)	143.8	85.7
General Insurance profit after tax	**95**	**53**	**46**	**79.2**	**106.5**
Life Insurance profit after tax	**16**	**21**	**15**	**(23.8)**	**6.7**
New Zealand profit after tax	**111**	**74**	**61**	**50.0**	**82.0**
Profit after tax from ongoing functions	**427**	**705**	**480**	**(39.4)**	**(11.0)**
Australian Life Business held for sale profit after tax	**23**	**36**	**42**	**(36.1)**	**(45.2)**
Profit after tax from functions	**450**	**741**	**522**	**(39.3)**	**(13.8)**
Marketplace acceleration investment	-	(110)	(36)	(100.0)	(100.0)
Other profit (loss) before tax [(2)]	(40)	(32)	(31)	25.0	29.0
Income tax	3	27	17	(88.9)	(82.4)
Other profit (loss) after tax	**(37)**	**(115)**	**(50)**	**(67.8)**	**(26.0)**
Cash earnings	**413**	**626**	**472**	**(34.0)**	**(12.5)**
Acquisition amortisation (after tax) [(3)]	(163)	(19)	(20)	n/a	n/a
Net profit after tax	**250**	**607**	**452**	**(58.8)**	**(44.7)**

(1) Wealth profit after tax comparatives have been restated to adjust for the participating Wealth business included in the Australian Life Business held for sale (refer to section 2.2).

(2) 'Other' includes investment income on capital held at the Group level (Dec-18: $13m, Jun-18: $7m), consolidation adjustments and transaction costs (Dec-18: loss $11m, Jun-18: loss $8m), non-controlling interests (Dec-18: loss $9m, Jun-18: loss $4m), net external funding expense (Dec-18: $33m, Jun-18: $27m).

(3) Acquisition amortisation includes a $145m write down of goodwill relating to the sale of the Australian Life business.

1.3 GROUP RATIOS AND STATISTICS

		Half Year Ended			Dec-18	Dec-18
		Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
					%	%
Performance ratios						
Earnings per share [1] [2]						
Basic	(cents)	19.34	47.04	35.12	(58.9)	(44.9)
Diluted	(cents)	19.75	45.92	34.66	(57.0)	(43.0)
Cash earnings per share [1] [2]						
Basic	(cents)	31.95	48.51	36.67	(34.1)	(12.9)
Diluted	(cents)	31.54	47.30	36.11	(33.3)	(12.7)
Return on average shareholders' equity [1]	(%)	3.6	8.9	6.5		
Cash return on average shareholders' equity [1]	(%)	6.0	9.2	6.8		
Cash return on average shareholders' equity pre-goodwill [1]	(%)	9.3	14.3	10.6		
Return on average total assets	(%)	0.50	1.24	0.92		
Insurance trading ratio	(%)	7.4	16.3	8.0		
Underlying insurance trading ratio	(%)	12.2	11.7	9.4		
Bank net interest margin (interest-earning assets)	(%)	1.79	1.82	1.86		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	26.0	40.0	33.0	(35.0)	(21.2)
Special dividends per ordinary share	(cents)	-	8.0	-	(100.0)	-
Payout ratio (excluding special dividend) [1]						
Net profit after tax	(%)	134.5	85.1	94.1		
Cash earnings	(%)	81.4	82.5	90.1		
Payout ratio (including special dividend) [1]						
Net profit after tax	(%)	134.5	102.2	94.1		
Cash earnings	(%)	81.4	99.1	90.1		
Weighted average number of shares						
Basic	(m)	1,292.6	1,290.4	1,287.2	0.2	0.4
Diluted	(m)	1,382.2	1,372.0	1,382.0	0.7	0.0
Number of shares at end of period [3]	(m)	1,293.1	1,291.9	1,288.9	0.1	0.3
Net tangible asset backing per share	($)	6.26	6.39	6.18	(2.0)	1.3
Share price at end of period	($)	12.63	14.59	13.86	(13.4)	(8.9)
Productivity						
Australian General Insurance expense ratio	(%)	20.8	20.7	21.2		
Banking cost to income ratio	(%)	56.1	54.5	54.9		
New Zealand General Insurance expense ratio	(%)	31.3	31.5	32.3		
Financial position						
Total assets	($M)	99,315	99,333	97,859	(0.0)	1.5
Net tangible assets	($M)	8,095	8,251	7,971	(1.9)	1.6
Net assets	($M)	13,624	13,973	13,739	(2.5)	(0.8)
Average Shareholders' Equity	($M)	13,709	13,706	13,699	0.0	0.1
Capital						
General Insurance Group PCA coverage	(times)	1.67	1.84	1.66		
Bank capital adequacy ratio - Total	(%)	13.35	13.52	13.47		
Bank Common Equity Tier 1 ratio	(%)	9.16	9.07	9.01		
Suncorp Life total capital	($M)	520	613	670	(15.2)	(22.4)
Additional capital held by Suncorp Group Limited	($M)	208	171	248	21.6	(16.1)

(1) Refer to Glossary for definitions.

(2) Refer to Appendix 3.3 (page 63) for detailed EPS calculations.

(3) Number of diluted shares at the end of the period was 1,382.8m.

1.4 GROUP RESULT OVERVIEW

Suncorp's 1H19 result was impacted by external factors, including natural hazard costs significantly above allowance and investment performance, however the strong operating momentum from FY18 has continued. The 1H19 performance reflects solid Group top-line growth of 3.2% (3.9% excluding the impact of the Compulsory Third Party (CTP) portfolio and FSL) despite a moderating banking environment, well-controlled operating expenses, and a strong contribution from BIP that has again exceeded targets. The result also demonstrates Suncorp is making good progress on executing the Group strategy.

The financial services industry today faces a great deal of change, including potential shifts in policy settings, regulation, and material impacts on business and distribution models. Suncorp acknowledges the importance of the Royal Commission process and accepts that it has, at times, fallen short of community expectations. The work completed to evolve the Group's business model and strategy has created a strong foundation that will enable it to successfully navigate this complex environment. The underlying performance of Suncorp's businesses has been strong in light of the additional requirements imposed by the changing regulatory environment.

Insurance (Australia)'s underlying margins have improved, driven by ongoing benefits achieved through BIP and remediation in the Commercial portfolio. This was more than offset by the impact of natural hazards above allowance and investment performance.

In New Zealand, strong top-line growth combined with favourable natural hazards and working claims experience resulted in a significant increase in reported profit.

The Banking and Wealth result was broadly flat on the pcp, reflecting lower impairment losses and operating expenses, offset by subdued top-line growth and funding cost pressures.

In August 2018 Suncorp announced the sale of its Australian Life insurance business and participating Wealth business. The financial performance of this business has been disclosed as a separate line item "Australian Life Business held for sale". Excluding the contribution from the Australian Life Business, profit after tax from ongoing functions declined by 11%.

Group net profit after tax of $250m includes a $145m write down of goodwill related to the loss on sale of the Australian Life Business. As previously disclosed, the sale is expected to result in an after tax non-cash loss on sale of approximately $880m (inclusive of the $145m), to be reflected in the FY19 result.

As previously disclosed, following completion of the sale of the life business, Suncorp will retain approximately $30m in annualised pre-tax stranded costs. The Business Improvement Program will commence a new stream of work with robust governance to remove costs, including reduced personnel, real estate and supplier costs, by the end of FY20. Other costs covered by Transition Services Agreements with the purchaser will be removed following the completion of each transition arrangement.

The Group's cash earnings and strong balance sheet position has led to a fully franked interim dividend of 26 cents per share. This equates to a payout ratio of 81.4%, above the top end of the target range.

For further information on the dividend and Group capital position, please refer to page 17.

For further information on the performance of the operating functions please refer to page 23 for Insurance (Australia), page 34 for Banking & Wealth and page 48 for New Zealand.

1.4.1 Group top-line growth

Suncorp delivered solid growth in Consumer and Commercial insurance premiums in Australia and New Zealand, while regulatory reform has impacted CTP premium income. Bank lending growth was impacted by the slowing mortgage market and adoption of tighter responsible lending controls.

	Weighting	As at		
		Dec-18	Jun-18	Dec-17
	%	%	%	
Group top-line growth				
General Insurance GWP [(1)]	65	3.4	2.2	(0.1)
Bank lending assets	25	2.4	6.1	6.6
Life in-force premium	10	3.4	1.3	0.5
Group top-line growth	**100**	**3.2**	**3.1**	**1.6**

[(1)] General Insurance GWP is made up of Insurance (Australia) GWP and New Zealand GWP in Australian dollar terms.

1.4.2 Group operating expenses

Operating expenses by function

	Half Year Ended Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Insurance (Australia) operating expenses					
Acquisition expenses	497	504	485	(1.4)	2.5
Other underwriting expenses	187	165	226	13.3	(17.3)
Insurance (Australia) operating expenses	**684**	**669**	**711**	**2.2**	**(3.8)**
New Zealand operating expenses					
Acquisition expenses	149	131	129	13.7	15.5
Other underwriting expenses	52	59	53	(11.9)	(1.9)
Life operating expenses	17	17	16	-	6.3
New Zealand operating expenses	**218**	**207**	**198**	**5.3**	**10.1**
Banking & Wealth operating expenses					
Banking operating expenses	341	332	347	2.7	(1.7)
Wealth operating expenses [(1)]	34	31	37	9.7	(8.1)
Banking & Wealth operating expenses	**375**	**363**	**384**	**3.3**	**(2.3)**
Australian Life Business held for sale operating expenses	**65**	**86**	**82**	**(24.4)**	**(20.7)**
Group total operating expenses	**1,342**	**1,325**	**1,375**	**1.3**	**(2.4)**
FSL	85	64	62	32.8	37.1
Group total operating expenses (including FSL)	**1,427**	**1,389**	**1,437**	**2.7**	**(0.7)**

Note: The total 1H19 BIP net benefit was $95m: $38m net expense benefit (included in the table above) and a $57m net benefit in claims expenses.

(1) Wealth operating expense comparatives have been restated to adjust for the participating Wealth business included in the Australian Life Business held for sale.

Group operating expenses movement

	Movement Dec-17 - Dec-18 $M
1H18 operating expenses (excluding FSL)	**1,375**
BIP (Opex)[(1)]	(70)
Commissions	19
Regulatory spend	18
Project spend (excluding regulatory)	3
Other	(3)
1H19 operating expenses (excluding FSL)	**1,342**

(1) Refer to page 10 for more information on BIP.

Group total operating expenses (excluding FSL) were $1.3bn, down 2.4%. In 1H18, the investment in BIP drove an increase in operating expenses of $32m. In 1H19, BIP delivered a net operating expense benefit of $38m for the half, driving a total improvement in Group operating expenses of $70m. These benefits were partly offset by:

— an increase in regulatory spend from $21m to $39m

— a $19m increase in commission expenses, primarily driven by strong top-line growth in New Zealand

Following changes to the NSW FSL scheme in 1H18 the fire service levies (FSL) increased 37.1% to $85m.

1.5 BUSINESS IMPROVEMENT PROGRAM

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	$M	$M	$M
Expenses	(42)	(54)	(50)
Benefits	137	122	22
Net benefits	**95**	**68**	**(28)**

	Gross expenses			Gross benefits			Net benefits		
	Opex	Claims	Total	Opex	Claims	Total	Opex	Claims	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Insurance (Australia)	(22)	(10)	(32)	46	67	113	24	57	81
Banking & Wealth [1]	(10)	-	(10)	24	-	24	14	-	14
Total	**(32)**	**(10)**	**(42)**	**70**	**67**	**137**	**38**	**57**	**95**

[1] Total Banking & Wealth net operating expense benefit of $14m is split between Banking $13m and Wealth $1m.

BIP is focused on sustainable initiatives that improve the customer experience, drive efficiencies and embed a culture of continuous improvement. BIP delivered a total net benefit of $95m for the half and is on track to exceed the original target for FY19, with net benefits of at least $225m for the full year. At 31 December 2018, the locked-in annualised gross benefits were $296m (2H18: $187m), with the greatest contributor to the increase flowing from procurement initiatives and streamlining business activities.

The table below outlines net benefits flowing from each program stream to-date. The negative variances between periods reflect cost management activities (reduced travel, consulting and personnel costs) that were implemented by BIP during 2H18 and since 1 July 2018 have been managed as business as usual.

	Net benefits				
	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	$M	$M
Digitisation of customer experience	-	(3)	(4)	3	4
Sales and Service channel optimisation	7	9	(2)	(2)	9
End-to-end process improvement	4	(9)	(9)	13	13
Claims supply chain re-design	50	28	5	22	45
Smarter procurement and streamlining our business	34	43	(18)	(9)	52
Total	**95**	**68**	**(28)**	**27**	**123**

Key initiatives delivered during the half include:

— Digitisation of customer experience: Reducing the cost of customer communications by building digital capabilities and making it easier for customers to interact with Suncorp across their preferred channel. This delivered a year to date reduction of over 1.5m physical mailpacks and a 340,000 reduction in the number of calls into the contact centres. Digital notifications across the mass brands (AAMI, SUN, GIO, Apia) have increased and the capability has now been enabled for Terri Scheer, Shannons and the NSW CTP portfolio. Merchant statements have also been digitised.

— Sales and service channel optimisation: The store footprint optimisation program has been completed for the year, including improved store digital capabilities with the roll out of customer wi-fi, in-store iPads and laptops to encourage customers towards self-service options. The contact centres have also implemented various efficiency measures.

- End-to-end process improvement: This stream has deployed new lodgement tools and simpler process steps for home loan origination, a new dynamic form and centralised servicing for customers with existing loans and simplified lending processes across Business Banking. In deposits, a self-service online PIN set/reset tool has been introduced. Insurance renewal and direct debit SMS notifications have replaced less effective outbound calls and EFT transfers have replaced cheques and remittances for policy refunds.
- Claims supply chain re-design: Motor and Property claims initiatives have emphasised claims pathing, digital functionality and customer benefits such as enhanced hire car options. This has included straight-through online claim lodgement and repairer allocation for low complexity property claims. Investment in analytics are delivering capability to support Personal Injury customers with proactive injury management strategies enabling return to work/life sooner. Improved data and analytics functionality is also reducing fraud and exaggerated claims.
- Smarter procurement and streamlining the business: A procurement review of key relationships and terms continues to be implemented across all categories of spend in FY19 along with investment in processes to drive productivity and efficiency.

The major areas of focus for the remainder of FY19 include:

- Increased options for customers to use digital self-service channels including introducing intelligent virtual assistants to guide and assist customers online
- Increased digital notices to customers across Insurance brands and Bank products
- Further improvements in claims through automated triage, prioritisation and pathing, fraud minimisation and investment in business intelligence
- An expanded procurement program covering all spend categories
- Ongoing support to embed the Group's 'owner's mindset', Future Ready Program and the focus on operational efficiency and continuous improvement

The FY19 target for BIP benefits has been updated and is outlined below. Suncorp also expects to exceed the FY20 targets and will provide an update following the next formal business planning process.

	FY19			FY20		
	Expense $M	Benefit $M	Net benefit $M	Expense $M	Benefit $M	Net benefit $M
Operating expenses	(53)	162	109	(49)	186	137
Claims expenses	(26)	142	116	(13)	205	192
Total	**(79)**	**304**	**225**	**(62)**	**391**	**329**

In addition, as previously disclosed, following completion of the sale of the Life business, Suncorp will retain approximately $30m in annualised pre-tax stranded costs. The Business Improvement Program will commence a new stream of work with robust governance to remove costs, including reduced personnel, real estate and supplier costs, by the end of FY20. Other costs covered by Transition Services Agreements with the purchaser will be removed following the completion of each transition arrangement.

1.6 CUSTOMER

	Dec-18	Jun-18
Connected customers [(1)]		
Proportion of customers holding multiple products across different needs	35%	35%
Consumer Net Promotor Score (NPS)	+5.8	+7.3
Business Net Promotor Score (NPS)	+1.2	+2.7
Customer engagement via digital channels		
Number of digital [(2)] users (m)	3.20	2.74
Proportion of digital claims [(3)]	15%	12%
Proportion of 'zero touch' digital claims [(3)]	36%	33%
Proportion of new business Insurance sales via digital [(4)]	24%	25%
Proportion of new business Banking sales via digital [(5)]	33%	25%

Note: Customer statistics are reported on a 12-month rolling basis.

(1) A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products.

(2) Digital users are unique visitors that have logged into Suncorp's authenticated digital assets like internet banking, mobile banking app, insurance policy self-service web and mobile applications.

(3) Relates to Australian home and motor claims only.

(4) Relates to Australian General Insurance new business sales only.

(5) Relates to at-call deposit account openings only.

Suncorp continues to focus on 'Elevating the Customer', led by a digital first approach that strengthens core products and services while building new, differentiated capabilities that enhance the value of Suncorp's offerings. The establishment of a Customer Advocate Office and Board Customer Committee provides evidence of Suncorp's commitment to improving outcomes for customer.

The marketplace component of Suncorp's strategy creates awareness and provides customers with access to a suite of products, services and brands, making it easy for customers to interact on their terms. Customers are responding positively to new functionality and foundations have been established to convert better customer experiences into higher revenue.

Suncorp continued to make progress on the following during the half:

— Enhancing self-service functionality, delivering over 100 targeted initiatives with positive leading indicators including a 17% increase in digital users and an 8% increase in online origination of at-call deposit accounts over the half.

— The Suncorp App has been downloaded over 290,000 times, allowing customers to manage their insurance and banking products across multiple brands in the same place for the first time. A second release of the App has been well received, delivering a refreshed interface, improving ease of navigation, and enhancing self-service functionality.

— The Suncorp Rewards platform now has over 500,000 registrations, rewarding loyalty and providing recognition for customers. A 4% uplift in products per customer and a 2% uplift in retention has been seen amongst active users.

— Since the refresh of the Suncorp brand and the extension outside of Queensland, brand awareness has increased by 5% at a national level, contributing to a 13% increase in online insurance quotes for the Suncorp brand post campaign.

- Building out the home and mobility ecosystems by delivering more partnered solutions into market, including offering pet insurance through a partnership with Petsure and connected home offerings with Direct Connect Australia and Sengled.
- Enabling front line staff to have a single customer view, allowing simple and meaningful needs-based interactions with customers, supporting adherence to compliance obligations and delivering an improved experience.

Foundations are now established to convert better customer experiences into broader and more frequent customer interactions, and higher revenue.

Top 5 priorities are:

- Consolidate to a single app for banking customers
- Promote and leverage the reward and recognition platform to drive retention
- Embed a single customer view across all assisted channels
- New payments platform, open banking, transparency & choice
- Enhancing our digital sales capability, making it easier for customers to buy online

1.7 GROUP GENERAL INSURANCE

1.7.1 Group reported and underlying ITR

Reconciliation of reported ITR to underlying ITR

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	$M	$M	$M
Reported ITR	**323**	**676**	**336**
Reported reserve releases (above) below long-run expectations	(108)	(132)	(62)
Natural hazards above (below) long-run allowances	220	(71)	67
Investment income mismatch	82	31	(3)
Other:			
Risk margin	(1)	(52)	30
Abnormal (Simplification/restructuring) expenses	14	34	29
Underlying ITR	530	**486**	**397**
Underlying ITR ratio	**12.2%**	**11.7%**	**9.4%**

Underlying ITR movements – June 2018 to December 2018

	Dec-18 vs Jun-18
	%
2H18 underlying ITR	**11.7**
Margin improvement (working claims and rate)	0.2
BIP benefits	0.2
Operating expenses	0.1
Investment income	-
Other	-
1H19 underlying ITR	**12.2**

The Group underlying ITR has improved from 11.7% in 2H18 to 12.2% in 1H19 reflecting:

— Margin expansion in New Zealand

— Ongoing BIP benefits in the Australian Consumer portfolio

— Remediation in the Australian Commercial portfolio

— Continued solid underlying ITRs earned in CTP

1.7.2 General Insurance investment market movements

— The 1H19 contribution from investment market movements declined $140m compared to the pcp.

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	$M	$M	$M
Insurance (Australia) General Insurance investment income	122	176	192
Claims discount mark-to-market	(85)	(49)	(10)
New Zealand General Insurance investment income	9	19	4
Total General Insurance investment market movements	46	146	186

1.7.3 Reinsurance

Reinsurance spend and security

General Insurance outwards reinsurance expense for the half year was $556m, an increase of $12m.

Reinsurance security has been maintained for the FY19 year program, with over 85% of business protected by reinsurers rated 'A+' or better.

Main catastrophe program

Suncorp's FY19 main catastrophe programme is similar to prior years.

From 1 July 2018, the upper limit on the main catastrophe program, which covers the Home, Motor and Commercial Property portfolios across Australia and New Zealand for major events, was increased from $6.9bn to $7.2bn for the 2019 financial year, which allowed for expected growth in sums insured. The cover purchased provides New Zealand protection beyond RBNZ regulatory requirements of $6.6bn.

The Group's maximum event retention remains at $250m. The main catastrophe program includes one prepaid reinstatement which covers losses up to $7.2bn for a second event and two further prepaid reinstatements at the lower layer which covers losses up to $500m for the third and fourth events.

In addition to the main catastrophe program, the Group has purchased dropdown aggregate protection in the form of three dropdowns:

— Dropdown 1 (50m xs 200m xs 50m) provides $50m of cover, for events greater than $200m once the cumulative impact of qualifying events reach $50m

— Dropdown 2 (100m xs 150m xs 200m) provides $100m of cover, for events greater than $150m once the cumulative impact of qualifying events reach $200m

— Dropdown 3 (100m xs 50m xs 200m) provides $100m of cover, for events greater than $50m once the cumulative effect of qualifying events reach $200m

The Group also has in place a prepaid reinstatement for Dropdown 2 and Dropdown 3. In aggregate, the dropdowns provide an additional $450m of protection against large natural hazard events. The manner in which the dropdowns interact with the main catastrophe program and natural hazard aggregate protection (NHAP see below) depends on the size and frequency of natural hazard events. The extent to which the horizontal dropdown layer has been eroded will determine when a dropdown may be triggered and the amount of recoveries available[1].

For New Zealand, the Group has purchased cover to reduce the first event retention to NZ$50m and the second and third event retentions to NZ$25m. An internal reinsurance agreement with Insurance (Australia) reduces Suncorp New Zealand's retention for a first and second New Zealand event to NZ$20m. However, this arrangement exists for capital purposes only and does not impact the Group's net exposure of NZ$50m.

Natural Hazard Aggregate Protection (NHAP)

Suncorp's natural hazards aggregate protection remains in place for FY19. This cover provides $300m of cover for events greater than $10m once aggregate costs have reached $504m (deductible).

---

[1] In general, the Group would make recoveries under the dropdowns where available, prior to utilising the natural hazard aggregate protection

Quota share arrangements

Suncorp's main quota share arrangement is the 30% multi-year quota share arrangement covering the Queensland home insurance portfolio. Suncorp maintains strong market share within this market and the quota share reduces concentration risk in this region.

Suncorp has a 50% quota share in place for its retained share of CTP business in ACT and South Australia. From 1 July 2018 Suncorp also implemented a 50% quota share on large global property risks.

Other quota share arrangements continue to be investigated and implemented where they provide sufficient capital and earnings benefits to offset the profit ceded to reinsurance partners.

1.7.4 Natural hazards

The Group's natural hazard allowance is determined through a process combining the Group's view of risk through modelled catastrophe losses in conjunction with the reinsurance program. The natural hazard allowance, (for events of all sizes) has increased from $692m to $720m in FY19, in line with the forecast increase in exposure values. The Group's robust reinsurance program, including natural hazards aggregate protection and quota share covers is also taken into account in determining the final natural hazard budget.

Date	Event	Net costs $M
Oct 18	Wide Bay Burnett	63
Nov 18	NSW Severe Low	19
Dec 18	East Coast Low	75
Dec 18	NSW & SEQ Hailstorm	250
Total events over $10m		**407**
Other natural hazards attritional claims		173
Total natural hazards		**580**
Less: allowance for natural hazards		(360)
Natural hazards costs above allowance		**220**

For additional information on natural hazard events, please refer to page 29 for events in Australia and page 53 for events in New Zealand.

Natural hazard costs for 1H19 of $580m were $220m above the allowance of $360m for the half. This was driven primarily by the significant weather system which resulted in hailstorms across the Sydney, Central Coast and South-East Queensland regions in December 2018. Total claims costs arising from this event will exceed the maximum first event retention under the main catastrophe program, which limits the financial impact of this event to $250m pre-tax.

Of the $504m deductible under the NHAP, $407m had been eroded at the end of 1H19. Following the Townsville flood in early February 2019, the remaining $97m aggregate deductible has been eroded and therefore recoveries for events >$10m will be available. The NHAP will provide $300m of cover for events greater than $10m.

Suncorp will increase its natural hazard allowance from $720m to $820m in FY20 and purchase an additional $200m natural perils reinsurance cover to sit on-top of the allowance providing a further level of cover that will work in conjunction with Suncorp's main catastrophe program and natural hazard aggregate protection program. The allowance is a long-term calculation based on experience over many years, so in any year the actual experience will vary and as a result there is uncertainty as to the exact allowance. The $820m is a large increase from the current year as Suncorp has placed more weight on the experience of recent years than has been done in the past. The additional cover will further reduce the volatility in Suncorp's earnings caused by natural hazards.

1.8 CAPITAL AND DIVIDENDS

1.8.1 Capital

Suncorp Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Group is subject to, and complies with, external capital requirements set and monitored by APRA and the RBNZ.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Group as a whole and each regulated entity, is capitalised to meet both internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the Group's capital requirements.

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, business lines regulatory frameworks and APRA's Non-Operating Holding Company conditions.

For regulatory purposes, capital is classified as follows:

— CET1 comprising accounting equity with adjustments for intangible assets and regulatory reserves

— Tier 1 Capital comprising CET1 plus Additional Tier 1 Capital such as hybrid securities with 'equity-like' qualities

— Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific Bank reserves eligible as regulatory capital

— Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

CET1 has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and then Tier 2 Capital.

Capital position at 31 December 2018

During the half year, the Group issued $600m of subordinated debt through SGL as part of its capital management strategy, which was fully deployed to the Bank as Basel III compliant Tier 2 capital. The issuance facilitated the redemption of SGL's existing $770m of subordinated debt, of which $670m and $100m had been deployed as qualifying Tier 2 capital to the Bank and Life businesses respectively. Following the $600m Tier 2 issuance and $770m Tier 2 redemption, the Group now has a more optimal level of Tier 2 capital.

Over the half, the Group's excess CET1 (after payment of the dividend) reduced to $434m. The main impacts on the Group's excess capital position were:

— NPAT after payment of dividends

— An increase in the General Insurance PCA largely due to weather events and the associated claims

— A reduction in the General Insurance Excess Technical Provision due to normal seasonality arising as Suncorp enters the peak natural hazard season

— An increase in Tier 1 Reserves driven by an appreciation in the New Zealand Dollar

— An increase in Bank Risk Weighted Assets due to balance sheet growth

— Amortisation of intangibles driven by past acquisition intangibles and capitalised project costs

	As at 31 December 2018					
	General Insurance [2]	Bank [2]	Life	SGL, Corp Services & Consol	Total	Total 30 June 2018
	$M	$M	$M	$M	$M	$M
CET1	2,944	3,012	485	208	6,649	6,881
CET1 target	2,676	2,876	323	2	5,877	5,810
Excess to CET1 target (pre div)	268	136	162	206	772	1,071
Group dividend					(338)	(623)
Group excess to CET1 target (ex div)					434	448
Common Equity Tier 1 ratio [1]	1.21x	9.16%	2.11x			
Total capital	4,064	4,386	520	208	9,178	9,585
Total target capital	3,650	4,026	381	(18)	8,039	7,952
Excess to target (pre div)	414	360	139	226	1,139	1,633
Group dividend					(338)	(623)
Group excess to target (ex div)					801	1,010
Total capital ratio [1]	1.67x	13.35%	2.26x			

(1) Capital ratios are expressed as coverage of the PCA for General Insurance and Life, and as a percentage of Risk Weighted Assets for the Bank.
(2) The Bank and General Insurance targets are shown as the midpoint of the target operating ranges.

In terms of the CET1 positions across the Group (pre-dividend):

— The General Insurance businesses' CET1 position was 1.21 times the PCA, above its target operating range of 1.0 to 1.2 times PCA

— The Bank's CET1 Ratio was 9.16%, above its target operating range of 8.5% to 9.0%

— Life businesses' excess CET1 to target was $162m

— An additional $206m of excess CET1 was held at the SGL and Corporate Services level.

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $434m after adjusting for the interim dividend.

As announced on 4 September 2018, following completion of the sale of the Australian Life Business, Suncorp intends to return approximately $600m of capital to shareholders. The net impact of the sale and subsequent return of capital to shareholders is expected to reduce the Group's excess CET1 by approximately $100m. The reduction in excess CET1 is driven by the return of capital including the existing excess CET1 within the Australian life business.

1.8.2 Dividends

The Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings. The Group's profit result and strong balance sheet position for the half year has led to a fully franked ordinary dividend of 26 cents per share, which equates to a payout above the target range at 81.4% of cash earnings. The Group intends to acquire existing shares to satisfy the Dividend Reinvestment Plan for the interim dividend. The interim ordinary dividend will be paid on 2 April 2019. The ex-dividend date is 20 February 2019. The Group's franking credit balance is set out below.

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**152**	**113**	**158**

1.9 INCOME TAX

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Reconciliation of prima facie income tax expense to actual tax expense:					
Profit before tax	348	902	675	(61.4)	(48.4)
Prima facie domestic corporate tax rate of 30% (2018: 30%)	104	271	202	(61.6)	(48.5)
Effect of tax rates in foreign jurisdictions	(3)	(2)	(2)	50.0	50.0
Effect of income taxed at non-corporate tax rate - Life	1	1	1	-	-
Tax effect of amounts not deductible (assessable) in calculating taxable income:					
Non-deductible expenses	8	12	12	(33.3)	(33.3)
Non-deductible expenses - Life	10	10	18	-	(44.4)
Amortisation of intangible assets	47	3	3	n/a	n/a
Dividend adjustments	11	8	10	37.5	10.0
Tax exempt revenues	-	(4)	(9)	(100.0)	(100.0)
Current year rebates and credits	(14)	(12)	(13)	16.7	7.7
Prior year over provision	(72)	-	(7)	n/a	n/a
Other	(3)	4	(1)	n/a	200.0
Total income tax expense on pre-tax profit	89	291	214	(69.4)	(58.4)
Effective tax rate	25.6%	32.3%	31.7%	(20.7)	(19.2)
Income tax expense recognised in profit consists of:					
Current tax expense					
Current tax movement	175	288	199	(39.2)	(12.1)
Current year rebates and credits	(14)	(12)	(13)	16.7	7.7
Adjustments for prior financial years	(61)	5	1	n/a	n/a
Total current tax expense	100	281	187	(64.4)	(46.5)
Deferred tax expense					
Origination and reversal of temporary differences	-	15	35	(100.0)	(100.0)
Adjustments for prior financial years	(11)	(5)	(8)	120.0	37.5
Total deferred tax expense	(11)	10	27	n/a	n/a
Total income tax expense	89	291	214	(69.4)	(58.4)
Income tax expense (benefit) by business unit					
Insurance (Australia)	42	209	109	(79.9)	(61.5)
Banking & Wealth	10	90	94	(88.9)	(89.4)
New Zealand	43	24	31	79.2	38.7
Other	(6)	(32)	(20)	(81.3)	(70.0)
Total income tax expense	**89**	**291**	**214**	**(69.4)**	**(58.4)**

The effective tax rate was 25.6% (2H18: 32.3%), contributing factors included the following:

— Prior year over provision has significantly reduced income tax expense due to rebalancing the Australian Life wealth portfolios (refer Section 2.2). This adjustment resulted in reduced income tax expense of $69m which is partially offset by a movement in policy liabilities of $54m.

— Non-deductible amortisation expense, in respect of the write down of goodwill relating to the sale of the Australian Life Business, increased income tax expense by $44m.

— Non-deductible interest paid in respect of preference shares and capital notes increased income tax expense by $7m (2H18: $7m).

— Prima facie income tax at 30% is also affected by the non-deductibility of life non-risk claim payments and non-assessable life non-risk premium receipts; credits from allowable concessions under tax law.

Total income tax expense of $89m includes $155m income tax expense from continuing operations (refer to statutory accounts), plus a $66m tax credit/benefit relating to the discontinuing Australia Life Business.

1.10 GROUP OUTLOOK

Suncorp's FY19 underlying operational performance is tracking in line with expectations. The external operating environment, including natural hazards above allowance, investment performance and unforeseen regulatory costs, have impacted the Group's 1H19 result and will impact FY19 reported Cash ROE.

The table below summarises the impact of the above factors on the 1H19 result and the flow on impact to the FY19 result.

	HY19	FY19 (1)
Cash Earnings ($m)	**413**	**-**
Natural Hazards above allowance ($m)	220	Following the Townsville flood the remaining $97m under the NHAP has been eroded triggering recoveries under the $300m cover
GI Investment market volatility (3) ($m)	134	subject to market movements
Regulatory costs higher than anticipated (3) ($m)	10	50
Less: Tax ($m)	(109)	tbd
Cash Earnings (including Life) – adjusted ($m)	**668**	**1,380+(4)**
Average Shareholder Equity ($m)	13,709	-
Adjusted ROE (%)	9.7	10+
Life Sale adjustments (2) ($m)	-	(31)
Loss on sale ($m)	-	(880)

(1) Subject to natural hazards, investment performance and unforeseen regulatory costs
(2) Assumes sale occurs at 28 February 2019
(3) Forecast costs for regulatory projects and investment market movements above the original unadjusted FY19 forecast full year cash earnings
(4) The $1,380m+ represents the original unadjusted full year forecast for FY19 cash earnings

Factors driving the FY19 result include:

— Group top-line growth of 3-5%
— Investment in regulatory projects in FY19 is expected to exceed the original estimate of ~$90m by $50m, as a consequence of an increase in the regulatory project slate; and following a preliminary assessment of the Royal Commission recommendations.
— An underlying ITR of at least 12%, supported by BIP, in particular the benefits of claims supply chain redesign and the earnings impact of repricing and unit growth throughout FY18.
— Elevated funding costs and a competitive and slowing credit market will impact the Bank's ability to meet its CTI and NIM targets. Reflecting these headwinds, CTI for FY19 is now forecast to be consistent with 1H19 and the NIM is expected to be at or just below the 1.8%-1.9% target range.
— Reserve releases are expected to remain above 1.5% of NEP, provided the benign inflationary environment continues.

Suncorp will seek to maintain an ordinary dividend pay-out ratio of 60% to 80% of cash earnings and remains committed to returning surplus capital to shareholders.

The BIP program is expected to exceed its original target for FY19 of $195m. Net benefits are now expected to be in excess of $225m in FY19.

Suncorp remains well placed to mitigate the impact of further natural hazard events in 2H19 through a combination of its main catastrophe program, dropdown aggregate protection and natural hazard aggregate protection.

In FY20 Suncorp will increase its natural hazard allowance from $720m to $820m and purchase an additional $200m natural perils reinsurance cover to sit on-top of the allowance providing a further level of cover that will work in conjunction with Suncorp's main catastrophe program and natural hazard aggregate protection program. Given the magnitude of the increase in the allowance, it will not be possible to fully price to customers in the first year, resulting in a medium-term impact to UITR from FY20.

The allowance is a long-term calculation based on experience over many years, so in any year the actual experience will vary to the exact allowance. The $820m is a large increase from the current year as Suncorp has placed more weight on the experience of recent years than has been done in the past.

The additional cover will further reduce the volatility in Suncorp's earnings caused by natural hazards.

In addition to the $50m increase in regulatory costs in FY19 it is likely Suncorp will have an elevated spend on regulatory projects in FY20 to meet community and customer expectations.

Suncorp continues to target a completion date of 28 February 2019 for the sale of the Australian Life Business, subject to the receipt of regulatory approvals. As previously disclosed, the sale is expected to result in an after tax non-cash loss on sale of approximately $880m, to be reflected in the FY19 result. As announced on 4 September 2018, following completion of the sale Suncorp intends to return approximately $600m of capital to shareholders.

Following the sale of the Australian Life Business, Suncorp will commence a 20-year strategic alliance with TAL to offer market-leading life insurance solutions through Suncorp's Australian distribution channels. Under the terms of the strategic alliance, Suncorp will continue to earn income on the distribution of life insurance.

For specific information on the Insurance (Australia) outlook please refer to page 24.

For specific information on the Banking & Wealth outlook please refer to page 35.

For specific information on the New Zealand outlook please refer to page 49.

1.10.1 Royal Commission

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was established on 14 December 2017. On 1 February 2019 the Commissioner's Final Report was released setting out 76 policy recommendations to strengthen protections for consumers, small business and rural and regional communities, enhance accountability, ensure strong and effective financial system regulators and further improve consumer and small business access to redress. Based on a preliminary assessment, Suncorp's overarching observation is that the recommendations focus on the lifecycle of interactions across the financial services sector and seeks to reform them to minimise conflicts of interest and ensure that the customers interests are prioritised over that of the financial services provider. This is underpinned by enhanced consequence management through a variety of mechanisms (e.g. the extension of BEAR, AFCA's extended redress scheme, the enhanced role of Regulators and the enforceability of industry codes).

The table below includes what are currently believed to be the top 10 recommendations based on their potential impact to Suncorp. Against these, is shown relevant activity that is either already completed, or being undertaken.

Undoubtedly it will take the industry, government and regulators time to work through the recommendations, Suncorp will engage with all groups to ensure optimal outcomes for customers.

10 key recommendations with potential impact	Suncorp relevant activity – completed or underway
1. Culture, remuneration, compliance, accountability	Establishment of Customer Advocate, Board Customer Committee, implementing Sedgwick recommendations
2. Mortgage broker remuneration and obligations	Seeking to preserve competition, customer choice & transparency
3. Compensation of last resort scheme / AFCA extension	Increasing capacity to respond to customer concerns
4. Regulatory approach	Addressing increased complexity of twin peaks model
5. Unfair contract terms	Continue discussions already on-foot with Government
6. Claims handling exemption	Working with industry & Government to obtain details, and determine any potential unintended consequences
7. Sales practices - Hawking	Seeking greater clarity
8. BEAR for insurance and superannuation	ADI progressing towards implementation on 1 July 2019. Well placed to extend to insurance and superannuation
9. Codes of practice	Support in principle; seeking clarity on enforceable provisions
10. Agri lending reforms	Current practices largely align with recommendations

2.0 FUNCTIONAL RESULTS

2.1 INSURANCE (AUSTRALIA)

2.1.1 Insurance (Australia) result overview

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Gross written premium by product					
Motor	1,403	1,429	1,350	(1.8)	3.9
Home	1,113	1,113	1,093	-	1.8
Commercial	786	742	768	5.9	2.3
Compulsory third party	574	555	609	3.4	(5.7)
Workers' compensation and other	149	209	120	(28.7)	24.2
Fire Service Levies	76	85	64	(10.6)	18.8
Total gross written premium	**4,101**	**4,133**	**4,004**	**(0.8)**	**2.4**
Net earned premium	3,689	3,548	3,643	4.0	1.3
Net incurred claims	(2,855)	(2,333)	(2,724)	22.4	4.8
Total operating expenses	(769)	(733)	(773)	4.9	(0.5)
Insurance trading result	190	620	266	(69.4)	(28.6)
Insurance (Australia) profit after tax	**133**	**447**	**234**	**(70.2)**	**(43.2)**

	%	%	%
Total operating expenses ratio	20.8	20.7	21.2
Insurance trading ratio	5.2	17.5	7.3

- Insurance (Australia) profit after tax decreased 43.2%, with an improvement in underlying margins offset by an increase in natural hazard claims costs, primarily resulting from the significant weather system in December causing hailstorms across Sydney, NSW Central Coast and South-East Queensland; and the negative impact of investment market movements.
- The insurance trading result was $190m, representing an ITR of 5.2%.
- GWP increased 2.4% to $4,101m. Excluding CTP, GWP growth was 3.9%.
- Home and Motor GWP growth of 3.0% was driven by premium rate increases.
- Commercial GWP increased by 2.3% with targeted rate increases achieved across the portfolio.
- CTP GWP decreased by 5.7% due to scheme reform, with national market share maintained.
- Workers' compensation and other growth of 24.2% was due to strong retention and premium rate increases, predominantly in Western Australia.
- Net incurred claims increased by 4.8% driven by higher natural hazard costs and the impact of risk free rate movements, partly offset by the continued benefits from BIP claims initiatives and improvements in working claims loss ratios. Reserve releases were $170m, representing 4.6% of NEP.
- Operating expenses ratio improved by 0.4% (0.9% excluding FSL) due to BIP benefits. Compared to 2H18, operating expenses ratio increased by 0.1% (improvement of 0.2% excluding FSL).

2.1.2 Insurance (Australia) outlook

Insurance (Australia) results are expected to be driven by the following factors which will support the Group in achieving its target UITR of at least 12% and delivering solid GWP growth:

- Suncorp expects to see stable retention and improved unit growth in the consumer portfolios over the remainder of FY19 and into FY20.
- Further investment in operational claims efficiencies are expected to improve both the customer experience and operational claims metrics.
- Building on the margin improvement momentum seen to date, the Commercial portfolio will continue to pursue target profitability levels through premium rate increases and growth in preferred market segments.
- Ongoing reform and change in the CTP operating environment will continue to drive reduced volatility across the schemes and improved customer outcomes. Suncorp will continue to leverage the benefits of a national CTP portfolio with a focus on optimising growth and profit through targeted opportunities in each scheme.
- In Workers' Compensation, the portfolio will continue to exercise discipline in pricing and is expected to maintain rate increases across the book.
- Following the sale of the Australian Life Business, Suncorp will commence a 20-year strategic alliance with TAL to offer market-leading life insurance solutions through Suncorp's Australian distribution channels. Under the terms of the strategic alliance, Suncorp will continue to earn income on the distribution of life insurance.

In FY19 reserve releases are expected to remain above the long-run expectation of 1.5% of Group NEP, provided inflation remains below current average long-run assumptions.

Suncorp remains well placed to mitigate the impact of further natural hazard events in 2H19 through a combination of its main catastrophe program, dropdown aggregate protection and natural hazard aggregate protection.

Profit contribution and General Insurance ratios

Profit contribution

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Gross written premium	**4,101**	**4,133**	**4,004**	**(0.8)**	**2.4**
Gross unearned premium movement	52	(116)	90	n/a	(42.2)
Gross earned premium	4,153	4,017	4,094	3.4	1.4
Outwards reinsurance expense	(464)	(469)	(451)	(1.1)	2.9
Net earned premium	**3,689**	**3,548**	**3,643**	**4.0**	**1.3**
Net incurred claims					
Claims expense	(3,509)	(2,713)	(3,149)	29.3	11.4
Reinsurance and other recoveries revenue	654	380	425	72.1	53.9
Net incurred claims	**(2,855)**	**(2,333)**	**(2,724)**	**22.4**	**4.8**
Total operating expenses					
Acquisition expenses	(497)	(504)	(485)	(1.4)	2.5
Other underwriting expenses	(272)	(229)	(288)	18.8	(5.6)
Total operating expenses	**(769)**	**(733)**	**(773)**	**4.9**	**(0.5)**
Underwriting result	65	482	146	(86.5)	(55.5)
Investment income - insurance funds	125	138	120	(9.4)	4.2
Insurance trading result	**190**	**620**	**266**	**(69.4)**	**(28.6)**
Managed schemes, joint ventures and other	5	(4)	5	n/a	-
Insurance (Australia) operational earnings	**195**	**616**	**271**	**(68.3)**	**(28.0)**
Investment income - shareholder funds	(3)	38	72	n/a	n/a
Insurance (Australia) profit before tax and capital funding	**192**	**654**	**343**	**(70.6)**	**(44.0)**
Capital funding	(17)	(14)	(15)	21.4	13.3
Insurance (Australia) profit before tax	**175**	**640**	**328**	**(72.7)**	**(46.6)**
Income tax	(42)	(193)	(94)	(78.2)	(55.3)
Insurance (Australia) profit after tax	**133**	**447**	**234**	(70.2)	(43.2)

General Insurance ratios

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	%	%	%
Acquisition expenses ratio	13.5	14.2	13.3
Other underwriting expenses ratio	7.3	6.5	7.9
Total operating expenses ratio	**20.8**	**20.7**	**21.2**
Loss ratio	77.4	65.8	74.8
Combined operating ratio	98.2	86.5	96.0
Insurance trading ratio	**5.2**	**17.5**	**7.3**

Insurance trading results (excluding discount rate movements and FSL)

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Gross written premium	4,025	4,048	3,940	(0.6)	2.2
Net earned premium	3,605	3,484	3,581	3.5	0.7
Net incurred claims	(2,770)	(2,284)	(2,714)	21.3	2.1
Acquisition expenses	(497)	(504)	(485)	(1.4)	2.5
Other underwriting expenses	(188)	(165)	(226)	13.9	(16.8)
Total operating expenses	(685)	(669)	(711)	2.4	(3.7)
Investment income - insurance funds	40	89	110	(55.1)	(63.6)
Insurance trading result	**190**	**620**	**266**	**(69.4)**	**(28.6)**

General Insurance ratios (excluding discount rate movements and FSL)

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	%	%	%
Acquisition expenses ratio	13.8	14.5	13.6
Other underwriting expenses ratio	5.2	4.7	6.3
Total operating expenses ratio	**19.0**	**19.2**	**19.9**
Loss ratio	76.8	65.6	75.8
Combined operating ratio	95.8	84.8	95.7

2.1.3 General Insurance

Gross written premium

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	**%**	**%**
Gross written premium by product					
Motor	1,403	1,429	1,350	(1.8)	3.9
Home	1,113	1,113	1,093	-	1.8
Commercial	786	742	768	5.9	2.3
Compulsory third party	574	555	609	3.4	(5.7)
Workers' compensation and other	149	209	120	(28.7)	24.2
Total GWP	**4,025**	**4,048**	**3,940**	**(0.6)**	**2.2**
Fire Service Levies					
Motor	8	8	3	-	166.7
Home	41	51	45	(19.6)	(8.9)
Commercial	27	26	16	3.8	68.8
Total FSL	**76**	**85**	**64**	**(10.6)**	**18.8**
Total GWP including FSL	**4,101**	**4,133**	**4,004**	**(0.8)**	**2.4**

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Gross written premium by geography					
Queensland	1,069	1,045	1,066	2.3	0.3
New South Wales	1,283	1,257	1,274	2.1	0.7
Victoria	941	951	904	(1.1)	4.1
Western Australia	313	341	294	(8.2)	6.5
South Australia	187	186	186	0.5	0.5
Tasmania	81	87	77	(6.9)	5.2
Other	151	181	139	(16.6)	8.6
Total GWP	**4,025**	**4,048**	**3,940**	**(0.6)**	**2.2**
Fire Service Levies					
New South Wales	75	84	63	(10.7)	19.0
Tasmania	1	1	1	-	-
Total FSL	**76**	**85**	**64**	**(10.6)**	**18.8**
Total GWP including FSL	**4,101**	**4,133**	**4,004**	**(0.8)**	**2.4**

Consumer

Home GWP increased 1.8% to $1,113m, reflecting premium increases of 2.9%, partially offset by a 1.1% reduction in units.

Motor GWP increased 3.9% to $1,403m, driven by targeted pricing changes with units reducing by 2.0%.

Unit growth in both portfolios was impacted by lower new business opportunities due to moderated premium increases in the market resulting in fewer customers moving between insurers. Strong retention has helped mitigate lower new business volumes.

Commercial

Commercial GWP increased 2.3% to $786m.

The Commercial portfolio continues to achieve strong premium rate increases ranging from mid-single digit to high teens and stable retention. Suncorp maintained its focus on improving portfolio mix through removing poorer risks and growing in more profitable segments of the Commercial market.

Compulsory Third Party

CTP GWP decreased 5.7% to $574m as scheme reforms take effect.

In NSW CTP, GWP contracted 14.0% driven by scheme reform which became effective on 1 December 2017. The new scheme reform benefits have reduced expected claims costs and resulted in a lower average premium for customers. Suncorp’s focus during the reform transition period has been to remain competitive whilst monitoring performance of the scheme relative to the new assumptions.

In Queensland CTP, GWP remained flat on the pcp with improved units partially offset by a reduction in the ceiling price. Suncorp has maintained a leading market share and will focus on engaging with the regulator to work towards scheme sustainability and improved outcomes for customers.

In ACT CTP, the scheme has continued to grow, with market share at 47% following sustained growth since entering the market in 2013.

In South Australia CTP, Suncorp will continue to be allocated 30% market share until 30 June 2019, at which point the scheme will transition to competitive underwriting.

Compulsory Third Party GWP by geography

	Half Year Ended Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Compulsory third party GWP by geography					
Queensland	221	214	221	3.3	-
New South Wales	257	250	299	2.8	(14.0)
ACT	36	35	31	2.9	16.1
South Australia	60	56	58	7.1	3.4
Total compulsory third party GWP	**574**	**555**	**609**	**3.4**	**(5.7)**

Workers' compensation and other

GWP growth of 24.2% was due to strong retention and premium rate increases predominantly in Western Australia.

Net incurred claims

Net incurred claims were $2,855m, an increase of 4.8% on the pcp. Excluding discount rate movements, net incurred claims increased by 2.1%. The increase was driven by higher natural hazard costs, partially offset by benefits from BIP claims initiatives and higher reserve releases.

BIP contributed $57m in net benefits to the claims result. BIP primarily benefited the consumer insurance loss ratio as a result of improvements in motor claims repair processes, including improved motor vehicle pathing, greater focus on repairer and assessor performance and implementation of damage assessment technology. ***For further information on BIP please refer to page 10.***

Consumer Home

Incurred claims were impacted by a high incidence of major loss (>$500k) fire claims, while Suncorp's water program continues to improve performance of water damage claims. Lower claims frequency offset an increase in average claim size.

Consumer Motor

The favourable impact from the BIP claims initiatives and use of the Suncorp preferred repair network continue to help offset average repair cost inflation and the increase in total loss costs from regulatory change. Incurred claims have also benefited from lower claims frequency.

Commercial

Commercial loss ratios continued to improve as premium rate increases more than offset claims inflation, combined with targeted retention of high quality accounts and the selective withdrawal from underperforming segments.

CTP And Workers' Compensation

CTP claims experience remained stable, supporting reserve releases in excess of 1.5% of Group NEP. In Queensland CTP, frequency in small claims has improved in recent quarters, however remain elevated compared to historical levels, driving an overall reduction in average claims costs. In NSW, claims experience post-reform was marginally better than expected, however longer-term claims trends will emerge over the next two years. In ACT and SA, claims experience continues to track in line with expectations.

Workers' compensation claims experience remains stable with some emerging pressure experienced in the NT scheme that is being closely monitored.

Natural hazards

Natural hazard costs were $573m, $233m above the allowance for the year. Natural hazard costs were $395m in December 2017.

Major natural hazard events for Australia are shown in the table below.

Date	Event	Net costs $M
Oct 18	Wide Bay Burnett	63
Nov 18	NSW Severe Low	19
Dec 18	East Coast Low	75
Dec 18	NSW & SEQ Hailstorm	250
Total events over $10 million		**407**
Other natural hazards attritional claims		166
Total natural hazards		**573**
Less: allowance for natural hazards		(340)
Natural hazards costs above allowance		**233**

Outstanding claims provision breakdown

The valuation of outstanding claims has resulted in central estimate releases of $170m, well above the Group's long-run expectation for reserve releases of 1.5% of Group NEP.

The short-tail release was primarily due to favourable experience in Commercial Insurance short-tail portfolios stemming from successful third-party recoveries and favourable claims development. Favourable experience in Home and prior year natural hazards were partly offset by an increase in average Motor claim size.

Long-tail claims reserve releases of $128m were primarily attributable to favourable claims experience. The impact of benign wage inflation in the CTP portfolios contributed to the majority of the releases.

	Actual	Net central estimate (discounted)	Risk margin (90th percentile discounted)	Change in net central estimate (1)
	$M	$M	$M	$M
Short-tail	1,848	1,705	143	(42)
Long-tail	5,975	5,107	868	(128)
Total	**7,823**	**6,812**	**1,011**	**(170)**

(1) This column is equal to the closing central estimate for outstanding claims (before the impact of a change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on the net central estimate. Figures in brackets imply that there has been a release from outstanding reserves.

Outstanding claims provision over time

The following table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate (90th percentile, discounted) and the risk margin components. Since June 2018 excess has been reclassified from "Reinsurance and other recoveries" to "Gross outstanding claims liability".

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Gross outstanding claims liabilities	9,514	8,874	9,217	7.2	3.2
Reinsurance and other recoveries	(1,691)	(1,509)	(1,671)	12.1	1.2
Net outstanding claims liabilities	**7,823**	**7,365**	**7,546**	**6.2**	**3.7**
Expected future claims payments and claims handling expenses	7,271	6,894	7,063	5.5	2.9
Discount to present value	(459)	(516)	(538)	(11.0)	(14.7)
Risk margin	1,011	987	1,021	2.4	(1.0)
Net outstanding claims liabilities	**7,823**	**7,365**	**7,546**	**6.2**	**3.7**
Short-tail	1,848	1,504	1,644	22.9	12.4
Long-tail	5,975	5,861	5,902	1.9	1.2
Total	**7,823**	**7,365**	**7,546**	**6.2**	**3.7**

Risk margins

Risk margins represent approximately 13% of outstanding claim reserves giving an approximate level of confidence of 90%.

Risk margins increased by $24m during the period to $1,011m. The assets notionally backing risk margins had a net gain of $23m. The net impact was therefore $1m, which is excluded from the underlying ITR calculation.

Operating expenses

Operating expenses were in line with the pcp. Excluding FSL, the operating expenses ratio improved by 0.9% driven by the realisation of BIP benefits, partially offset by an increase in costs associated with regulatory compliance and inquiry responses, which are expected to remain elevated in the medium-term.

Managed schemes, joint ventures and other

Suncorp continues to be part of a scheme arrangement with the NSW Government whereby, Suncorp receives revenue as one of three claims management providers, to manage its existing portfolio as well as the portfolio of the exiting scheme agents. Suncorp participates in the joint venture with the Royal Auto Club in Tasmania and has distribution arrangements with other third-party suppliers. Other income and expenses includes the amortisation of intangibles and other miscellaneous income.

Investment income

Suncorp's primary objective is to optimise investment returns relative to investment risk appetite. This process inherently has regard to the insurance liabilities and capital that the investment assets are supporting and seeks to substantially offset the associated interest rate and manage claims inflation risks. Investment grade fixed interest securities and inflation-linked bonds play a central role in achieving this objective. The key market metrics for the year are tabled below.

	Dec-18	Jun-18	Dec-18 vs Jun-18
3 year bond yield (%)	1.85	2.06	-21bp
10 year bond yield (%)	2.32	2.63	-31bp
10 year breakeven inflation rate (%)	1.64	1.96	-32bp
AA 3 year credit spreads (bp)	88	78	+10bp
Australian fixed interest (Bloomberg composite index)	9,547	9,287	+2.8%
Australian equities (total return)	58,710	63,015	-6.8%
International equities (hedged total return)	1,514	1,660	-8.8%

The Australian General Insurance investment portfolio includes insurance funds and shareholders' funds. The objective of the insurance funds is to match the insurance liabilities in a capital efficient way. The shareholders' funds support the capital position and have an absolute-return based strategy.

Asset allocation

Suncorp continues to invest in line with the Group's risk appetite and Board approved investment strategy. In line with Suncorp's Responsible Investment Policy, 5% of Shareholders' Funds is targeted towards impact investing which includes Green Bonds, Renewable Energy Infrastructure and Social Impact Bonds.

The exposure to physical inflation linked bonds declined through the half however the effective exposure to inflation linked securities was maintained, with the decline in physical holdings offset by nominal bonds and inflation swaps.

Suncorp has recently introduced a macro-hedging process which aims to manage systematic risks for the General Insurance investment portfolio when deemed appropriate.

	Half Year Ended					
	Dec-18		Jun-18		Dec-17	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	118	1	104	1	209	2
Inflation-linked bonds [(1)]	1,830	20	2,327	25	2,416	27
Corporate bonds	6,153	68	6,015	64	5,479	62
Semi-Government bonds	251	3	196	2	211	2
Commonwealth Government bonds	758	8	699	8	591	7
Total Insurance funds	**9,110**	**100**	**9,341**	**100**	**8,906**	**100**
Shareholders' funds						
Cash and short-term deposits	102	3	89	3	140	5
Australian interest-bearing securities	1,297	43	1,305	44	1,243	42
Global interest-bearing securities (hedged)	763	25	691	23	686	24
Equities	322	11	378	13	349	12
Infrastructure and property	353	12	326	11	301	10
Alternative investments	182	6	182	6	191	7
Total shareholders' funds	**3,019**	**100**	**2,971**	**100**	**2,910**	**100**
Total	**12,129**		**12,312**		**11,816**	

(1) The notional exposure to inflation-linked securities is: Dec-18 $1.9bn, Jun-18 $2.3bn, Dec-17 $2.4bn. Although the notional exposure has decreased, the dollar sensitivity from inflation-linked securities remains unchanged from Jun-18 due to the longer duration of these remaining securities.

Credit quality

The average credit rating for the Insurance (Australia) investment assets remained stable at AA.

	Dec-18 %	Jun-18 %	Dec-17 %
AAA	40.2	44.6	42.0
AA	19.8	18.3	19.3
A	21.0	20.9	22.0
BBB	19.0	16.2	16.7
	100.0	**100.0**	**100.0**

Duration

The interest rate duration of the insurance funds continues to closely match the duration of insurance liabilities, which comprise of outstanding claims and premium liabilities.

	Dec-18 Years	Jun-18 Years	Dec-17 Years
Insurance funds			
Interest rate duration	2.6	2.8	2.7
Credit spread duration	1.3	1.3	1.4
Shareholders' funds			
Interest rate duration	1.2	1.7	1.5
Credit spread duration	1.6	2.4	2.4

Investment performance

Total investment income on insurance funds and shareholders' funds was $122m representing an annualised return of 2.0% for the half year.

Insurance funds

Investment income on insurance funds was $125m.

Underlying yield

The underlying yield income was $114m, or 2.5% annualised, after adjusting the investment income of $125m for the following market valuation impacts:

- Gains of $62m due to a decrease in risk-free rates
- Losses of $5m due to changes in credit spreads
- Losses of $46m due to the underperformance of inflation-linked bonds relative to Commonwealth Government nominal bonds as break-even inflation levels fell.

Impact on underlying ITR

Consistent with prior periods, an adjustment has been made to remove the impact of investment market volatility on the ITR.

- The value of outstanding claims saw an $85m adverse movement due to differences in yield curve expectations and the discounting treatment of liabilities on the balance sheet. The assets backing these claims had a gain of $62m due to the same movements, resulting in a net impact of yield curve movements of $23m.
- There was an $8m adjustment due to the unwind of prior risk-free changes on assets backing unearned premium.

This results in a total underlying ITR adjustment of $82m after removing the above two impacts as well as the losses from changes in credit spreads and breakeven inflation.

Shareholders' funds

Investment income on shareholders' funds was a $3m loss representing an annualised return of -0.2%. Weak equity markets and relative underperformance combined with negative returns from alternative investments contributed to the underperformance.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	5	3	3	66.7	66.7
Interest-bearing securities and other	120	135	117	(11.1)	2.6
Total	**125**	**138**	**120**	**(9.4)**	**4.2**
Investment income on shareholders' funds					
Cash and short-term deposits	-	1	-	(100.0)	-
Interest-bearing securities	25	22	28	13.6	(10.7)
Equities	(32)	10	31	n/a	n/a
Infrastructure and property	11	14	10	(21.4)	10.0
Alternative investments	(7)	(9)	3	(22.2)	n/a
Total	**(3)**	**38**	**72**	**n/a**	**n/a**
Total investment income	**122**	**176**	**192**	**(30.7)**	**(36.5)**

2.2 AUSTRALIAN LIFE BUSINESS HELD FOR SALE

The Australian Life Business held for sale incorporates the performance of Suncorp Life and Superannuation Limited, the entity being sold, as well as other discontinuing distribution activities.

The Australian Life Business after tax profit of $23m is down 45.2% reflecting reduced experience profits, partially offset by one-off adjustments in the Wealth business.

Market adjustments were negative due to actual market rates being lower than longer-term investment return assumptions.

Profit contribution

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Planned profit margin release	11	13	12	(15.4)	(8.3)
Experience	(5)	1	2	n/a	n/a
Life other and investments	3	23	25	(87.0)	(88.0)
Wealth products	25	9	11	177.8	127.3
Market and other adjustments	(11)	(10)	(8)	10.0	37.5
Australian Life Business held for sale profit after tax	**23**	**36**	**42**	**(36.1)**	**(45.2)**

2.3 BANKING & WEALTH

2.3.1 Banking & Wealth result overview

Comparative figures for Wealth have been restated to adjust for the participating Wealth business included in the Australian Life Business held for sale (refer to section 2.2).

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Banking profit after tax	**182**	**184**	**191**	**(1.1)**	**(4.7)**
Wealth profit after tax	**1**	**-**	**(6)**	**n/a**	**n/a**
Banking & Wealth profit after tax	**183**	**184**	**185**	**(0.5)**	**(1.1)**
Total housing loans	47,982	47,604	46,940	0.8	2.2
Consumer loans	162	175	250	(7.4)	(35.2)
Commercial (SME)	6,662	6,402	6,160	4.1	8.1
Agribusiness	4,364	4,535	4,409	(3.8)	(1.0)
Total lending	**59,170**	**58,716**	**57,759**	**0.8**	**2.4**
At-call deposits	21,330	20,289	19,905	5.1	7.2
Term deposits	18,027	18,272	18,117	(1.3)	(0.5)
Total customer funding	**39,357**	**38,561**	**38,022**	**2.1**	**3.5**
Wealth funds under management and administration	6,011	6,411	6,416	(6.2)	(6.3)
	%	**%**	**%**		
Customer funding growth (annualised)	4.09	2.86	6.36		
Lending growth (annualised)	1.53	3.34	8.73		
Net interest margin (interest-earning assets)	1.79	1.82	1.86		
Cost to income ratio	56.1	54.5	54.9		
Impairment losses to gross loans and advances (annualised)	0.02	0.05	0.04		

- Banking and Wealth net profit after tax of $183m, broadly stable. Lower impairment losses and expenses were offset by lower net interest income.
- Strong at-call deposit growth of 5.1%, materially above system, was underpinned by investment in digital capability over the last 18 months.
- The home lending portfolio grew 0.8% over the half, within a competitive and slowing mortgage market.
- The business lending portfolio grew 0.8% over the half, reflecting growth in commercial lending, offset by a reduction in the agribusiness portfolio.
- Impairment losses of 2bps of gross loans and advances (GLA) reflects the sound credit quality of the lending portfolio.
- Net interest margin (NIM) compressed 3bps to 1.79% over the half. Positive impacts from the growth in at-call deposits were offset by a sustained elevation of the bank bill swap rate (BBSW), increased cost of customer deposits and aggressive price competition in the mortgage market.
- Operating expenses reduced 1.7% primarily reflecting the positive contribution from BIP compared to the pcp. These benefits were offset to a large extent by significantly higher regulatory and compliance costs.
- CTI of 56.1% reflects a reduction in net interest income following slower top-line growth, margin compression and the impact of higher regulatory costs.
- Wealth profit after tax from ongoing operations of $1m was an improvement on the pcp, following the completion of the Super Simplification Program in the second half of FY18. The half year result was impacted by an increase in regulatory costs.

2.3.2 Banking & Wealth outlook

- Banking will continue to target sustainable lending growth where margins and risk are acceptable. The moderation of system growth is expected to continue in 2H19, driven by a slowing housing market and the tightening of serviceability and lending standards across the industry.
- Banking will continue to target above system growth in business lending while maintaining a prudent risk appetite within each segment. Banking continues to closely monitor and support agribusiness customers impacted by prevailing drought conditions and is proud to offer a range of financial and non-financial assistance solutions to its agribusiness customers.
- Impairment losses are expected to remain below the bottom end of the through-the-cycle operating range of 10 to 20bps of gross loans and advances.
- Above system growth in at-call deposits will remain a priority, driven by the continued delivery of enhanced digital banking capabilities to improve customer experiences.
- Banking will continue to target a return on CET1 capital in the range of 12.5% to 15.0% and a Net Stable Funding Ratio (NSFR) comfortably above 105%.
- Regulatory costs are expected to remain elevated throughout FY19 and into FY20. These will be partially offset by BIP benefits, which are expected to continue to be delivered in 2H19 and FY20.
- Heightened regulatory costs combined with the competitive and slowing credit market will impact the Bank's ability to meet the CTI target of around 50% and return on CET1 capital target of 12.5% to 15.0% in FY19. CTI for FY19 is now forecast to be consistent with 1H19.
- Given the outlook for funding costs and margins over the near term, NIM is likely to be at, or just below, the bottom end of the 180-190bps target range. Banking will manage NIM headwinds through a continued focus on at-call deposit growth and leveraging the diverse and flexible funding options available.
- Following the sale of the Australian Life business, the remaining Wealth business will continue the implementation of its regulatory change program. Further regulatory change is expected in the short to medium term.
- The Basel III reforms and APRA's roll-out of unquestionably strong benchmarks, communicated to the market from mid-2017, require further consideration as they are expected to reduce the gap between standardised and advanced bank capital requirements. Expected impacts cannot be confirmed before APRA release the draft standards.

Profit contribution

	Half Year Ended Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Banking					
Net interest income	**585**	**583**	**598**	**0.3**	**(2.2)**
Net non-interest income					
Net banking fee income and commission	17	19	23	(10.5)	(26.1)
Gain on derivatives and other financial instruments	4	4	6	-	(33.3)
Other revenue	2	3	5	(33.3)	(60.0)
Total net non-interest income	**23**	**26**	**34**	**(11.5)**	**(32.4)**
Total income	**608**	**609**	**632**	**(0.2)**	**(3.8)**
Operating expenses	(341)	(332)	(347)	2.7	(1.7)
Profit before impairment losses on loans and advances	**267**	**277**	**285**	**(3.6)**	**(6.3)**
Impairment losses on loans and advances	(7)	(14)	(13)	(50.0)	(46.2)
Banking profit before tax	**260**	**263**	**272**	**(1.1)**	**(4.4)**
Income tax	(78)	(79)	(81)	(1.3)	(3.7)
Banking profit after tax	**182**	**184**	**191**	**(1.1)**	**(4.7)**
Wealth profit after tax	**1**	**-**	**(6)**	**n/a**	**n/a**
Banking & Wealth profit after tax	**183**	**184**	**185**	**(0.5)**	**(1.1)**

Banking ratios and statistics

	Half Year Ended Dec-18 %	Jun-18 %	Dec-17 %
Lending growth (annualised)	1.53	3.34	8.73
Customer funding growth (annualised)	4.09	2.86	6.36
Net interest margin (interest-earning assets)	1.79	1.82	1.86
Cost to income ratio	56.1	54.5	54.9
Impairment losses to gross loans and advances (annualised)	0.02	0.05	0.04
Common Equity Tier 1	9.16	9.07	9.01
Return on Common Equity Tier 1	11.5	12.1	11.9
Deposit to loan ratio	66.5	65.7	65.8
NSFR	112	112	113

2.3.3 Banking

Loans and advances

	Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Housing loans	40,663	41,159	40,164	(1.2)	1.2
Securitised housing loans and covered bonds	7,319	6,445	6,776	13.6	8.0
Total housing loans	**47,982**	**47,604**	**46,940**	**0.8**	**2.2**
Consumer loans	162	175	250	(7.4)	(35.2)
Retail loans	**48,144**	**47,779**	**47,190**	**0.8**	**2.0**
Commercial (SME)	6,662	6,402	6,160	4.1	8.1
Agribusiness	4,364	4,535	4,409	(3.8)	(1.0)
Total Business loans	**11,026**	**10,937**	**10,569**	**0.8**	**4.3**
Total lending	**59,170**	**58,716**	**57,759**	**0.8**	**2.4**
Other lending	6	12	7	(50.0)	(14.3)
Gross loans and advances	**59,176**	**58,728**	**57,766**	**0.8**	**2.4**
Provision for impairment	(145)	(130)	(131)	11.5	10.7
Total loans and advances	**59,031**	**58,598**	**57,635**	**0.7**	**2.4**
Credit-risk weighted assets	**27,584**	**27,234**	**26,935**	**1.3**	**2.4**
Geographical breakdown - Total lending					
Queensland	31,266	31,005	30,170	0.8	3.6
New South Wales	15,904	15,624	15,372	1.8	3.5
Victoria	6,063	6,079	6,071	(0.3)	(0.1)
Western Australia	3,528	3,587	3,740	(1.6)	(5.7)
South Australia and other	2,409	2,421	2,406	(0.5)	0.1
Outside of Queensland loans	27,904	27,711	27,589	0.7	1.1
Total lending	**59,170**	**58,716**	**57,759**	**0.8**	**2.4**

Retail loans

Home lending grew 0.8% over the half to $48.0bn as growth was balanced with appropriate returns within a competitively priced and moderating credit market.

Growth was impacted by longer than normal servicing times across the broker network, due in part to the increased focus on lending serviceability criteria and the adoption of additional verification requirements. During this period of moderated lending activity, Banking focused on implementing initiatives to improve operational efficiencies.

Home lending growth is expected to be impacted by a slowing property market which is likely to intensify price-driven competition. Market dynamics will continue to be impacted by industry-wide implementation of tighter lending criteria as well as reducing property investor confidence.

Banking continues to maintain a high-quality lending portfolio. At the end of the period, the home lending portfolio was conservatively positioned as follows:

— Owner occupier: 72%, Investor: 28%

— Principal and Interest: 79%, Interest Only: 21%

— LVR <80%: 78%, LVR >80%: 22%

Commercial (SME)

Solid growth in commercial lending of 4.1% to $6.7bn was achieved over the half. Banking is focused on considered and disciplined growth and the commercial portfolio continues to be of high quality with acceptable risk profiles, low arrears and low impairment charges. The portfolio remains diversified and weighted towards the less than $5m facility range.

The growth achieved over the half was primarily through Property Investment and Construction & Development segments. The majority of individual development finance loans are under $20m to experienced customers, supported by satisfactory pre-sales, and with completion dates within 12 to 18 months. The development finance portfolio has maintained a small exposure to inner city apartment developments and this continues to be closely managed with no evidence of stress.

Commercial (SME) portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Commercial (SME) breakdown					
Property Investment	28%	4%	5%	37%	2,465
Hospitality & Accommodation	12%	1%	1%	14%	933
Construction & Development	9%	0%	1%	10%	666
Services (Inc. professional services) [1]	11%	6%	3%	20%	1,332
Retail	5%	1%	1%	7%	466
Manufacturing & Mining	2%	1%	0%	3%	200
Other	6%	2%	1%	9%	600
Total %	**73%**	**15%**	**12%**	**100%**	
Total $M	**4,864**	**999**	**799**		**6,662**

(1) Includes a portion of small business loans, with limits below $1m, that are not classified.

Agribusiness

The agribusiness portfolio contracted $171m over the half to $4.4bn.

The reduction in the portfolio was primarily due to prevailing drought conditions, seasonal trends and the paydown of debt by customers.

Banking continues to exercise appropriate risk selection, with growth targeted towards medium to large family-owned farming operations with mid-size lending requirements in known industries.

Challenging weather conditions will continue to impact growth in the second half of the financial year. However, the low Australian dollar, current commodity prices and recent paydown of debt by customers have positioned the portfolio more favourably relative to previous periods of prolonged dry conditions.

Agribusiness portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Agribusiness breakdown					
Beef	33%	3%	0%	36%	1,571
Grain & Mixed Farming	13%	14%	2%	29%	1,266
Sheep & Mixed Livestock	2%	4%	1%	7%	305
Cotton	4%	4%	0%	8%	349
Sugar	3%	0%	0%	3%	131
Fruit	3%	1%	0%	4%	175
Other	6%	2%	5%	13%	567
Total %	**64%**	**28%**	**8%**	**100%**	
Total $M	**2,793**	**1,222**	**349**		**4,364**

Funding

Funding composition

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Customer funding					
Customer deposits					
At-call deposits	21,330	20,289	19,905	5.1	7.2
Term deposits	18,027	18,272	18,117	(1.3)	(0.5)
Total customer funding	**39,357**	**38,561**	**38,022**	**2.1**	**3.5**
Wholesale funding					
Domestic funding					
Short-term wholesale	5,165	5,442	5,739	(5.1)	(10.0)
Long-term wholesale	4,363	4,863	4,861	(10.3)	(10.2)
Covered bonds	2,787	2,037	2,036	36.8	36.9
Subordinated notes	672	742	742	(9.4)	(9.4)
Total domestic funding	**12,987**	**13,084**	**13,378**	**(0.7)**	**(2.9)**
Overseas funding [(1)]					
Short-term wholesale	2,111	2,040	2,263	3.5	(6.7)
Long-term wholesale	3,452	2,954	2,825	16.9	22.2
Total overseas funding	**5,563**	**4,994**	**5,088**	**11.4**	**9.3**
Total wholesale funding	**18,550**	**18,078**	**18,466**	**2.6**	**0.5**
Total funding (excluding securitisation)	**57,907**	**56,639**	**56,488**	**2.2**	**2.5**
Securitisation					
APS 120 qualifying [(2)]	4,256	4,809	4,053	(11.5)	5.0
APS 120 non-qualifying	22	39	58	(43.6)	(62.1)
Total securitisation	**4,278**	**4,848**	**4,111**	**(11.8)**	**4.1**
Total funding (including securitisation)	**62,185**	**61,487**	**60,599**	**1.1**	**2.6**
Total funding is represented on the balance sheet by:					
Deposits	39,357	38,561	38,022	2.1	3.5
Short-term borrowings	7,276	7,482	8,002	(2.8)	(9.1)
Securitisation	4,278	4,848	4,111	(11.8)	4.1
Debt issues	10,602	9,854	9,722	7.6	9.1
Subordinated notes	672	742	742	(9.4)	(9.4)
Total funding	**62,185**	**61,487**	**60,599**	**1.1**	**2.6**
Deposit to loan ratio	**66.5%**	**65.7%**	**65.8%**		

(1) Foreign currency borrowings are hedged back into Australian dollars.
(2) Qualifies for capital relief under APS120.

Suncorp continues to employ a conservative approach to managing liquidity and funding risk to ensure a sustainable funding profile to support balance sheet growth.

Suncorp's key funding and liquidity management strategies include:

— Increasing stable deposits combined with an appropriate Net Stable Funding Ratio position

— Maintaining a sustainable and diversified funding base across a range of long-term wholesale markets such as covered bond, domestic and offshore senior unsecured, and Residential Mortgage-backed Security (RMBS)

— Minimising the impact of market volatility by maintaining a smooth profile of long-term wholesale funding maturities with an appropriate weighted average tenor

— Ensuring short-term resilience by managing high-quality liquid assets comfortably above net cash outflows under various stress scenarios

Customer funding

Banking's deposit-to-loan ratio of 66.5% remains within the target operating range of 60% to 70%. Over the last 12 months, Suncorp has funded lending growth through an additional $1.3bn of customer funding, with wholesale funding remaining relatively flat over the same period.

At-call deposits grew materially above system over the half, increasing 5.1% to $21.3bn, primarily driven by the investment in enhanced customer functionality and self-service capabilities over FY18 and into FY19. The new Growth Saver product continued to perform strongly, achieving $517m of growth over the half, with 43% from new funds to the Bank.

Term deposit prices steadily increased over the period and the slight reduction on the half reflects disciplined management of funding requirements and costs.

Wholesale funding

Wholesale funding instruments maturity profile

	Short-term $M	Long-term $M	Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Maturity							
0 to 3 months	5,178	471	5,649	5,031	5,899	12.3	(4.2)
3 to 6 months	1,895	1,829	3,724	4,257	2,588	(12.5)	43.9
6 to 12 months	203	2,267	2,470	2,888	2,747	(14.5)	(10.1)
1 to 3 years	-	5,659	5,659	7,001	6,689	(19.2)	(15.4)
3+ years	-	5,326	5,326	3,749	4,654	42.1	14.4
Total wholesale funding instruments	**7,276**	**15,552**	**22,828**	**22,926**	**22,577**	**(0.4)**	**1.1**

Suncorp demonstrated its funding flexibility and responsiveness to market conditions through a range of long-term issuances over the half. This included a benchmark $750m covered bond, a $500m tap of a domestic senior unsecured floating rate note and a range of other domestic and offshore placements. Over the half, Banking completed $1.7bn in term wholesale issuance at a weighted average term of 3.8 years.

The weighted average term remaining of Banking's long-term wholesale portfolio is 2.7 years.

Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)

Banking monitors the composition and stability of its funding to remain within the Board approved risk appetite. This includes compliance with both the LCR and NSFR APRA requirements, with a focus on the stability of the overall funding profile rather than concentrating on a single measure.

The NSFR was 112% as at 31 December 2018.

The average LCR for the half was 128%, ending the period at 134%, above internal operating targets and APRA's 100% limit. Banking holds a portfolio of liquid assets available to meet balance sheet requirements and unforeseen cash outflows under a range of market conditions and stress scenarios. These assets consist of cash and highly rated securities eligible for repurchase agreements with the Reserve Bank of Australia (RBA).

Net interest income

Net interest income of $585m was down 2.2% from the pcp, resulting in the cost-to-income ratio increasing to 56.1%. Moderate growth in interest income was more than offset by margin pressure from heightened wholesale funding costs driven by a sustained elevation in BBSW and movements in global markets.

NIM contracted 3bps over the half. Lending spreads were adversely impacted by continued pricing competition in the mortgage market. This was partially offset by selective portfolio repricing. Funding spreads improved by 3bps over the half, primarily driven by transactional deposit growth and portfolio mix benefits. Balance sheet and liquidity management spreads contracted following the continued volatility in market rates and the costs of wholesale funding.

Consistent with prior periods, the interest-earning assets used in calculating Suncorp's NIM are gross of offset accounts.

Net interest margin movements

	%
2H18 net interest margin	**1.82**
Movement in lending mix / spreads	(0.04)
Movement in funding mix / spreads	0.03
Balance sheet and liquidity management	(0.02)
Movement in earnings on invested capital	-
1H19 net interest margin	**1.79**

Average banking balance sheet

	Half Year Ended Dec-18			Half Year Ended Jun-18		
	Average Balance (1)	Interest	Average Rate	Average Balance (1)	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities (2)	6,234	84	2.67	6,486	84	2.61
Gross loans and advances	58,701	1,208	4.08	58,003	1,174	4.08
Total interest-earning assets	**64,935**	**1,292**	**3.95**	**64,489**	**1,258**	**3.93**
Non-interest earning assets						
Other assets (inc. loan provisions)	1,195			1,224		
Total non-interest earning assets	**1,195**			**1,224**		
Total assets	**66,130**			**65,713**		
Liabilities						
Interest-bearing liabilities						
Customer deposits	38,503	363	1.87	37,682	340	1.82
Wholesale liabilities	22,085	328	2.95	22,436	318	2.86
Subordinated loans	726	16	4.37	742	17	4.62
Total interest-bearing liabilities	**61,314**	**707**	**2.29**	**60,860**	**675**	**2.24**
Non-interest bearing liabilities						
Other liabilities	667			715		
Total non-interest bearing liabilities	**667**			**715**		
Total liabilities	**61,981**			**61,575**		
Average Shareholders' equity	**4,149**			**4,138**		
Non-Shareholder accounting equity	15			16		
Convertible preference shares	(550)			(550)		
Average Ordinary Shareholders' equity	**3,614**			**3,604**		
Goodwill allocated to banking business	(240)			(240)		
Average Ordinary Shareholders' equity (ex goodwill)	**3,374**			**3,364**		
Analysis of interest margin and spread						
Interest-earning assets	64,935	1,292	3.95	64,489	1,258	3.93
Interest-bearing liabilities	61,314	707	2.29	60,860	675	2.24
Net interest spread			**1.66**			**1.69**
Net interest margin (interest-earning assets)	**64,935**	**585**	**1.79**	**64,489**	**583**	**1.82**
Net interest margin (lending assets)	**58,701**	**585**	**1.98**	**58,003**	**583**	**2.03**

(1) Calculated based on daily balances over the period.

(2) Includes interest on cash and receivables due from other banks.

Net non-interest income

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Net banking fee income and commission	17	19	23	(10.5)	(26.1)
Gain on derivatives and other financial instruments	4	4	6	-	(33.3)
Other revenue	2	3	5	(33.3)	(60.0)
Total net non-interest income	**23**	**26**	**34**	**(11.5)**	**(32.4)**

Total net non-interest income was $23m, down 32.4% on the pcp. The reduction in net banking fee income and commission reflects changes introduced in FY18 to reduce certain customer fees to improve customer experience and meet the ongoing demand for low fee banking products. These changes are fully reflected in the half year non-interest income result.

Operating expenses

Operating expenses decreased $6m from the pcp to $341m. Key movements included:

— Net BIP benefits realised compared to the pcp ($26m) offset to an extent by;

— Increased investment in regulatory change and compliance programs ($13m).

Credit quality

Impairment losses on loans and advances

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Collective provision for impairment	-	(3)	(2)	(100.0)	(100.0)
Specific provision for impairment	3	10	12	(70.0)	(75.0)
Actual net write-offs	4	7	3	(42.9)	33.3
Impairment losses	**7**	**14**	**13**	**(50.0)**	**(46.2)**
Impairment losses to gross loans and advances (annualised)	**0.02%**	**0.05%**	**0.04%**		

Impairment losses on loans and advances of $7m, represent 2bps of gross loans and advances (annualised), and remain well below the through-the-cycle operating range of 10bps to 20bps.

Impaired assets and non-performing loans

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Retail lending	61	37	47	64.9	29.8
Agribusiness lending	37	51	50	(27.5)	(26.0)
Commercial/SME lending	66	56	39	17.9	69.2
Gross impaired assets	**164**	**144**	**136**	**13.9**	**20.6**
Specific provision for impairment	(34)	(39)	(37)	(12.8)	(8.1)
Net impaired assets	**130**	**105**	**99**	**23.8**	**31.3**
Gross impaired assets to gross loans and advances	**0.28%**	**0.25%**	**0.24%**		
Size of gross individually impaired assets					
Less than one million	43	32	46	34.4	(6.5)
Greater than one million but less than ten million	106	97	74	9.3	43.2
Greater than ten million	15	15	16	-	(6.3)
Gross impaired assets	**164**	**144**	**136**	**13.9**	**20.6**
Past due loans not shown as impaired assets	**524**	**541**	**411**	**(3.1)**	**27.5**
Gross non-performing loans	**688**	**685**	**547**	**0.4**	**25.8**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	144	136	173	5.9	(16.8)
Recognition of new impaired assets	57	51	53	11.8	7.5
Increases in previously recognised impaired assets	2	2	2	-	-
Impaired assets written off/sold during the half year	(6)	(6)	(17)	-	(64.7)
Impaired assets which have been reclassed as performing assets or repaid	(33)	(39)	(75)	(15.4)	(56.0)
Balance at the end of the half year	**164**	**144**	**136**	**13.9**	**20.6**

The $24m increase in retail impaired loans over the half was largely driven by a review of longer dated arrears and the application of more conservative property valuations in line with market trends. The associated increase in specific provision was small with actual losses remaining low.

Commercial impaired loans increased predominately driven by one medium sized customer account.

Agribusiness impaired loans improved over the half following a large customer recovery. Banking continues to monitor this portfolio closely and is working to support the small number of customers who are impacted by drought.

Gross non-performing loans remained flat over the half as a decrease in past due loans was offset by an increase in impaired assets.

Provision for impairment

	Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Collective provision					
Balance at the beginning of the period	91	94	96	(3.2)	(5.2)
AASB 9 transition adjustments	20	-	-	n/a	n/a
Charge against impairment losses	-	(3)	(2)	(100.0)	(100.0)
Balance at the end of the period	**111**	**91**	**94**	**22.0**	**18.1**
Specific provision					
Balance at the beginning of the period	39	37	44	5.4	(11.4)
Charge against impairment losses	3	10	12	(70.0)	(75.0)
Impairment provision written off	(6)	(6)	(17)	-	(64.7)
Unwind of discount	(2)	(2)	(2)	-	-
Balance at the end of the period	**34**	**39**	**37**	**(12.8)**	**(8.1)**
Total provision for impairment - Banking activities	**145**	**130**	**131**	**11.5**	**10.7**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	88	84	82	4.8	7.3
AASB 9 transition adjustments	9	-	-	n/a	n/a
Transfer (to) from retained earnings	14	4	2	250.0	n/a
Balance at the end of the period	**111**	**88**	**84**	**26.1**	**32.1**
Pre-tax equivalent coverage	159	126	120	26.2	32.5
Total provision for impairment and equity reserve for credit loss - Banking activities	**304**	**256**	**251**	**18.8**	**21.1**

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	**20.7**	**27.1**	**27.2**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.19	0.15	0.16
Specific provision	0.06	0.07	0.06
Total provision	0.25	0.22	0.22
ERCL coverage	0.27	0.21	0.21
Total provision and ERCL coverage	0.52	0.43	0.43

The total provision and ERCL coverage was 52bps of gross loans and advances.

As reflected in the table above, the transition from AASB 139 to AASB 9 resulted in a net $20m increase in the collective provision at 1 July 2018. This was a result of:

— A $4m reduction in the retail lending collective provision arising from the adoption of a revised Loss Given Default (LGD) model, which better reflects the link between LGD and current and expected collateral prices; combined with a review of other inputs into the assessment process not derived directly from the models. These changes offset the other impacts of AASB 9, including the introduction of lifetime provisions for Stage 2 exposures[1] and the introduction of forward-looking macroeconomic assumptions;

[1] Upon occurrence of a significant increase in credit risk (SICR) an exposure moves from Stage 1 to Stage 2 and provisions increase from a 12 month Expected Credit Loss (ECL) to a lifetime ECL (i.e. all losses that are expected to occur over the life of the loan). SICR is determined based on a deterioration in the loan's master rating scale level, which is directly related to probability of default.

— A $24m increase in the non-retail lending collective provision due to the adoption of the revised Loss Given Default model, together with the impact of introducing Staging, forward-looking macroeconomic assumptions and the review of other inputs into the assessment process not derived directly from the models.

Excluding the transitional impact to AASB 9, the collective provision ended the half flat. However, volatility associated with the application of AASB 9 was evidenced during the half by several offsetting factors including movements in risk profiles, the stage migration of exposures in line with credit quality, falls in the housing price index and updated macroeconomic forecasts

The specific provision reduced by $5m over the half, primarily driven by a large agribusiness recovery.

Gross non-performing loans coverage by portfolio

	Past due loans	Impaired assets	Specific provision	Collective provision	ERCL (pre-tax equivalent)	Total provision and ERCL coverage
	$M	$M	$M	$M	$M	%
Retail lending	479	61	8	37	66	21%
Agribusiness lending	14	37	10	28	11	96%
Commercial/SME lending	31	66	16	46	82	148%
Total	**524**	**164**	**34**	**111**	**159**	**44%**

Retail past due loans were broadly flat, decreasing $6m over half. Suncorp’s approach to the management of arrears is continually reviewed to improve outcomes for all stakeholders. In recent periods, changes to the hardship and recoveries process were implemented to better support customers genuinely experiencing hardship. Over the half, this revised approach matured as expected, resulting in a significant reduction in hardship customers. Retail past dues are primarily comprised of loans originated pre 2014, in line with the less conservative risk appetite at that time.

2.3.4 Wealth

Following the sale of Suncorp's Australian Life business, the remaining Wealth business will continue to manufacture, administer and distribute superannuation through the Brighter Super product.

Profit Contribution

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Underlying profit after tax	1	-	(7)	n/a	n/a
Other adjustments	-	-	1	n/a	(100.0)
Profit attributed to shareholders	**1**	**-**	**(6)**	**n/a**	**n/a**

Wealth profit attributed to shareholders of $1m was an improvement on the pcp due to the completion of the Super Simplification Program in FY18. The result was partially offset by increased industry-wide regulatory costs incurred over the half.

Regulatory costs are expected to remain elevated over the medium-term as the Wealth business continues the implementation of its regulatory change program.

Funds under administration

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Funds under administration					
Opening balance at the start of the period	6,411	6,416	6,319	(0.1)	1.5
Inflows	283	297	316	(4.7)	(10.4)
Outflows	(466)	(399)	(450)	16.8	3.6
Investment income and other	(217)	97	231	n/a	n/a
Balance at the end of the period	**6,011**	**6,411**	**6,416**	**(6.2)**	**(6.3)**

Funds under administration of $6.0bn were impacted over the half by elevated outflows and a downturn in international investment markets. The higher outflows were approximately in line with retail superfund peers and the growing trend to industry superfunds.

2.4 NEW ZEALAND

Note: All figures and commentary in the New Zealand section are displayed in New Zealand dollars unless otherwise specified.

2.4.1 New Zealand result overview

	Half Year Ended Dec-18 NZ$M	Jun-18 NZ$M	Dec-17 NZ$M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
General Insurance					
Gross written premium by product					
Motor	198	192	183	3.1	8.2
Home	270	266	250	1.5	8.0
Commercial	352	304	326	15.8	8.0
Other	11	11	9	-	22.2
General Insurance gross written premium	**831**	**773**	**768**	**7.5**	**8.2**
Net earned premium	693	651	616	6.5	12.5
Net incurred claims	(340)	(391)	(348)	(13.0)	(2.3)
Total operating expenses	(217)	(205)	(199)	5.9	9.0
Insurance trading result	143	61	76	134.4	88.2
General Insurance profit after tax	**103**	**59**	**50**	**74.6**	**106.0**
Life Insurance					
Underlying profit after tax	16	21	14	(23.8)	14.3
Life Insurance profit after tax	**17**	**22**	**17**	(22.7)	-
New Zealand profit after tax	**120**	**81**	**67**	48.1	79.1
	%	**%**	**%**		
Total operating expenses ratio	31.3	31.5	32.3		
Insurance trading ratio	20.6	9.4	12.3		

- Suncorp New Zealand achieved profit after tax of $120m, up 79.1% on the pcp.
- The General Insurance business delivered profit after tax of $103m, up 106.0% on the pcp, with strong top-line growth and favourable natural hazard and working claims experience driving the improved performance.
- Reported ITR of 20.6%, up from 12.3% in the pcp. Underlying ITR also improved and remains above the Group target of 12%.
- GWP grew by 8.2% to $831m, driven by premium increases across all portfolios and supported by unit growth across the direct business and intermediated channels.
- Net incurred claims were $340m, down 2.3% on the pcp, driven by favourable natural hazard experience and improved working claims.
- Operating expenses increased by 9.0%, driven by increases in total commissions paid as a function of strong premium growth.
- The New Zealand Life Insurance business delivered profit after tax of $17m, in line with the pcp. In-force premium grew by 4.0%, supported by strong policy retention.

2.4.2 New Zealand outlook

- Suncorp is focused on building a resilient business to meet a greater number of customer and business partner needs.
- Strong GWP growth over the last 18 months has been supported by repricing activity across the market following a period of significant weather events. System GWP growth is expected to return to lower single-digit levels over the medium term. Above system growth is targeted via corporate partner and direct channels, supported by new initiatives such as the launch of the online AA Small Business Insurance proposition. Moderate growth in the broker channel is also expected to be maintained.
- Motor claims cost inflation is moderating across the industry. Suncorp continues to manage the impact of motor claims inflation with product changes, pricing remediation and claims process efficiency initiatives including improved management tools. Increasing repair volumes through approved repairers nationwide and the SMART centres in Auckland and Christchurch, will continue to assist the management of claims costs going forward.
- BIP NZ is underway, driving operational efficiencies and delivering improved customer outcomes.
- Life underlying profit levels are expected to be maintained with no significant movements in life experience anticipated. An ongoing focus on sustainable commissions, strong intermediary relationships and retention is expected to support continued in-force premium growth.
- The New Zealand government is engaged in a significant financial services regulatory reform program that includes changes to both the NZ Earthquake Commission (EQC) and NZ's Fire and Emergency Services (FENZ) along with associated changes to insurance levy collection, financial advice licencing, insurer conduct, insurer licencing, prudential regulation, and privacy regulation. New Zealand financial services regulators are currently engaged in a Culture and Conduct review of registered banks and licenced life insurers with reference to the findings of the Royal Commission in Australia. These reforms are expected to lead to an uplift in regulatory costs going forward.

Profit contribution (NZ$)

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
General Insurance					
Gross written premium	**831**	**773**	**768**	**7.5**	**8.2**
Gross unearned premium movement	(38)	(26)	(50)	46.2	(24.0)
Gross earned premium	793	747	718	6.2	10.4
Outwards reinsurance expense	(100)	(96)	(102)	4.2	(2.0)
Net earned premium	**693**	**651**	**616**	**6.5**	**12.5**
Net incurred claims					
Claims expense	(385)	(325)	(396)	18.5	(2.8)
Reinsurance and other recoveries revenue	45	(66)	48	n/a	(6.3)
Net incurred claims	**(340)**	**(391)**	**(348)**	**(13.0)**	**(2.3)**
Total operating expenses					
Acquisition expenses	(161)	(141)	(141)	14.2	14.2
Other underwriting expenses	(56)	(64)	(58)	(12.5)	(3.4)
Total operating expenses	**(217)**	**(205)**	**(199)**	**5.9**	**9.0**
Underwriting result	**136**	**55**	**69**	**147.3**	**97.1**
Investment income - insurance funds	7	6	7	16.7	-
Insurance trading result	**143**	**61**	**76**	**134.4**	**88.2**
Joint venture and other expense	-	(1)	-	(100.0)	-
General Insurance operational earnings	**143**	**60**	**76**	**138.3**	**88.2**
Investment income - shareholder funds	2	16	(3)	(87.5)	n/a
General Insurance profit before tax	**145**	**76**	**73**	**90.8**	**98.6**
Income tax	(42)	(17)	(23)	147.1	82.6
General Insurance profit after tax	**103**	**59**	**50**	**74.6**	**106.0**
Life Insurance					
Underlying profit after tax	**16**	21	14	(23.8)	14.3
Market adjustments	**1**	1	3	-	(66.7)
Life Insurance profit after tax	**17**	**22**	**17**	**(22.7)**	**-**
New Zealand profit after tax	**120**	**81**	**67**	48.1	79.1

General Insurance ratios

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	%	%	%
Acquisition expenses ratio	23.2	21.7	22.9
Other underwriting expenses ratio	8.1	9.8	9.4
Total operating expenses ratio	**31.3**	**31.5**	**32.3**
Loss ratio	49.1	60.1	56.5
Combined operating ratio	80.4	91.6	88.8
Insurance trading ratio	**20.6**	**9.4**	**12.3**

Profit contribution (A$)

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	A$M	A$M	A$M	%	%
General Insurance					
Gross written premium	**768**	**719**	**703**	**6.8**	**9.2**
Gross unearned premium movement	(35)	(25)	(46)	40.0	(23.9)
Gross earned premium	733	694	657	5.6	11.6
Outwards reinsurance expense	(92)	(90)	(93)	2.2	(1.1)
Net earned premium	**641**	**604**	**564**	**6.1**	**13.7**
Net incurred claims					
Claims expense	(357)	(301)	(364)	18.6	(1.9)
Reinsurance and other recoveries revenue	42	(62)	45	n/a	(6.7)
Net incurred claims	**(315)**	**(363)**	**(319)**	**(13.2)**	**(1.3)**
Total operating expenses					
Acquisition expenses	(149)	(131)	(129)	13.7	15.5
Other underwriting expenses	(52)	(59)	(53)	(11.9)	(1.9)
Total operating expenses	**(201)**	**(190)**	**(182)**	**5.8**	**10.4**
Underwriting result	**125**	**51**	**63**	**145.1**	**98.4**
Investment income - insurance funds	7	5	7	40.0	-
Insurance trading result	**132**	**56**	**70**	**135.7**	**88.6**
Joint venture and other expense	-	(1)	-	(100.0)	-
General Insurance operational earnings	**132**	**55**	**70**	**140.0**	**88.6**
Investment income - shareholder funds	2	14	(3)	(85.7)	n/a
General Insurance profit before tax	**134**	**69**	**67**	**94.2**	**100.0**
Income tax	(39)	(16)	(21)	143.8	85.7
General Insurance profit after tax	**95**	**53**	**46**	**79.2**	**106.5**
Life Insurance					
Underlying profit after tax	**15**	19	13	(21.1)	15.4
Market adjustments	**1**	2	2	(50.0)	(50.0)
Life Insurance profit after tax	**16**	**21**	**15**	**(23.8)**	**6.7**
New Zealand profit after tax	**111**	**74**	**61**	**50.0**	**82.0**

Note: Transactions denominated in foreign currencies, including New Zealand dollars, are translated into Australian dollars using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated into Australian dollars using the spot exchange rates current on that date.

General Insurance ratios

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
	%	%	%
Acquisition expenses ratio	23.2	21.7	22.9
Other underwriting expenses ratio	8.1	9.8	9.4
Total operating expenses ratio	**31.3**	**31.5**	**32.3**
Loss ratio	49.1	60.1	56.6
Combined operating ratio	80.4	91.6	88.9
Insurance trading ratio	**20.6**	**9.3**	**12.4**

2.4.3 General Insurance

Gross written premium

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Gross written premium by product					
Motor	198	192	183	3.1	8.2
Home	270	266	250	1.5	8.0
Commercial	352	304	326	15.8	8.0
Other	11	11	9	-	22.2
Total	**831**	**773**	**768**	**7.5**	**8.2**

Motor

Motor GWP grew 8.2% to $198m, with growth achieved across all channels and strong performance continuing through the AA Insurance direct business and corporate partnerships.

Home

Home GWP grew 8.0% to $270m. Growth was driven by pricing increases reflecting a response to elevated claim volumes in prior periods and reinsurance premium increases. Retention has remained strong across all channels.

Commercial

Commercial GWP grew 8.0% to $352m driven by premium increases and unit growth, particularly in the commercial motor portfolio. This was supported by the renewal of several large policies achieved during the half year.

Vero Liability continues to perform strongly supported by new business volume growth and strategic renewal pricing.

Other

Other business contributed GWP of $11m for the half year, with the majority of growth achieved within the private marine portfolio.

Net incurred claims

Net incurred claims costs reduced 2.3% to $340m.

Motor claims cost inflation has moderated due to the implementation of several underwriting changes across the portfolio and continued pathing through approved repairers and SMART centres.

Average home claims costs have reduced due to lower frequency of large losses.

Commercial claims increased from the pcp driven by a small number of large losses.

Natural hazards

There were no major natural hazard events during the half year. Total natural hazards costs of $8m, $15m below the half year allowance, was driven by other attritional claims.

Date	Event	Net costs NZ$M
	Total events over $10 million [1]	-
	Other natural hazards attritional claims	8
Total natural hazards		**8**
	Less: allowance for natural hazards	(23)
Natural hazards costs below allowance		**(15)**

(1) Events with a gross cost over $10m, shown net of recoveries from reinsurance.

Outstanding claims provision

	Actual	Net central estimate (discounted)	Risk margin (90th percentile discounted)	Change in net central estimate [1]
	NZ$M	NZ$M	NZ$M	NZ$M
Short-tail	228	195	33	(1)
Long-tail	89	75	14	(2)
Total	**317**	**270**	**47**	**(3)**

(1) This column is equal to the closing central estimate for outstanding claims (before the impact of a change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on the net central estimate. Figures in brackets imply there has been a release from outstanding reserves.

The valuation of outstanding claims resulted in a net central estimate release of $3m. Short-tail claim reserve releases were driven by large releases on two large claims. Long-tail claim reserve releases were primarily attributable to the Vero Liability book.

There has been a strengthening of reserves relating to the Canterbury earthquakes as settlements reach the tail-end, most complex claims. Total claims paid for the Canterbury events have reached 98% of the ultimate net loss (UNL), with a further $78m in claims paid over the half year. The only significant exposure remaining relates to the February 2011 Canterbury event. As at 31 December 2018, total claims paid for this event were A$3.4bn, representing 97% of the UNL. Due to reinsurance arrangements for the February 2011 event, Suncorp will retain 15 cents in the dollar for additional claims costs exceeding A$3.4bn up to A$3.5bn. Suncorp's retention increases to 33 cents in the dollar once claims costs exceed A$3.5bn (up to A$5.6bn).

For the Kaikoura event, 99% of domestic property claims have now been settled. The transition to 'sum insured' policy terms and Suncorp's relationship with the New Zealand Earthquake Commission have assisted Suncorp to deliver faster outcomes for customers affected by the Kaikoura event.

Outstanding claims provisions over time

The following table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate, and the risk margin components. The net outstanding claims liabilities are also shown by major categories of insurance business.

The UNL for the Canterbury earthquakes has increased by $16m this half year, largely due to higher development than expected for Commercial claims. However, the profit impact associated with this increase is minimal due to the Group's reinsurance arrangements.

There was minimal impact on the net outstanding claims from the Kaikoura earthquake events as payments have reached the fully reinsured layers.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Gross outstanding claims liabilities	881	1,102	1,274	(20.1)	(30.8)
Reinsurance and other recoveries	(564)	(765)	(978)	(26.3)	(42.3)
Net outstanding claims liabilities	**317**	**337**	**296**	**(5.9)**	**7.1**
Expected future claims payments and claims handling expenses	276	294	249	(6.1)	10.8
Discount to present value	(6)	(7)	(5)	(14.3)	20.0
Risk margin	47	50	52	(6.0)	(9.6)
Net outstanding claims liabilities	**317**	**337**	**296**	**(5.9)**	**7.1**
Short-tail	228	251	214	(9.2)	6.5
Long-tail	89	86	82	3.5	8.5
Total	**317**	**337**	**296**	**(5.9)**	**7.1**

Risk margins

Risk margins decreased by $3m to $47m, representing approximately 14.8% of outstanding claims reserves. This gives an approximate level of confidence of 90%, in line with Suncorp Group policy.

Operating expenses

Total operating expenses increased 9.0% to $217m.

Acquisition expenses have increased due to an increase in total commission expenses relating to strong top-line growth and increased profit shares to corporate partners.

The other underwriting expense ratio reduced as cost inflation was mitigated by a range of initiatives including partnering, operational excellence and process efficiencies.

Asset allocation

Asset allocations within funds remain consistent with the pcp and in accordance with risk appetite. The insurance funds cash holdings and corporate bonds were relatively higher when comparing to June 2018 as a result of strong cash inflows over the half year. The shareholders' funds interest-bearing securities were relatively lower due to a dividend payment made to the parent company.

	Half Year Ended					
	Dec-18		Jun-18		Dec-17	
	NZ$M	%	NZ$M	%	NZ$M	%
Insurance funds						
Cash and short-term deposits	205	35	161	32	140	34
Corporate bonds	298	52	255	50	239	57
Local government bonds	65	11	82	16	35	8
Government bonds	10	2	8	2	4	1
Total Insurance funds	**578**	**100**	**506**	**100**	**418**	**100**
Shareholders' funds						
Cash and short-term deposits	35	12	49	14	34	9
Interest-bearing securities	160	53	207	59	180	50
Equities	106	35	93	27	146	41
Total shareholders' funds	**301**	**100**	**349**	**100**	**360**	**100**
Total	**879**		**855**		**778**	

Credit quality

	Dec-18	Jun-18	Dec-17
	%	%	%
AAA	10.0	8.4	8.4
AA	61.0	67.9	64.9
A	26.7	21.1	24.3
BBB	2.3	2.6	2.4
	100.0	**100.0**	**100.0**

Duration

	Dec-18	Jun-18	Dec-17
	Years	Years	Years
Insurance funds			
Interest rate duration	1.3	1.2	1.3
Shareholders' funds			
Interest rate duration	2.8	2.5	2.6

Investment performance

Investment income on insurance funds was $7m, representing an annualised return of 2.7%. The interest rate environment has remained steady over the last two years, leading to low volatility in cash investments and interest-bearing securities over this period.

Investment income on shareholders' funds was $2m, representing an annualised return of 1.5%, which is down on the pcp after excluding losses relating to the Tower shareholding. Equity markets have seen significant volatility during the half resulting in an unfavourable return for the global equity investments.

Total investment income of $9m, represents an annualised return of 2.2%.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	1	1	1	-	-
Interest-bearing securities and other	6	5	6	20.0	-
Total	**7**	**6**	**7**	**16.7**	**-**
Investment income on shareholders' funds					
Cash and short-term deposits	1	4	-	(75.0)	n/a
Interest-bearing securities	3	2	4	50.0	(25.0)
Equities (excluding Tower shareholding)	(2)	2	5	n/a	n/a
Tower shareholding	-	8	(12)	(100.0)	(100.0)
Total	**2**	**16**	**(3)**	**(87.5)**	**n/a**
Total investment income	**9**	**22**	**4**	**(59.1)**	**125.0**

2.4.4 Life Insurance

Profit after tax was $17m, with underlying profit increasing 14.3% driven by continued growth of in-force premium and underlying investment performance.

Planned margins were $17m, up 6.3% on the pcp driven by in-force growth.

Claims experience reflected general volatility of claims. The closure and settlement of disability income claims remains in line with expectations.

Lapse assumptions reflect retention improvements over the past few years, with current year experience due to cover reductions and other policy alterations where business has been retained.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Planned profit margin	17	17	16	-	6.3
Experience	(5)	-	(5)	n/a	-
Other	4	4	3	-	33.3
Underlying profit after tax	**16**	**21**	**14**	**(23.8)**	**14.3**
Market adjustments	**1**	**1**	**3**	**-**	**(66.7)**
Net profit after tax	**17**	**22**	**17**	**(22.7)**	**-**

Life risk in-force annual premium by channel

In-force premium increased 4.0% to $262m, supported by strong policy retention and flat new business. Revised hybrid incentive structures and the use of digital platforms for advisers contributed to growth and retention.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Advised	210	207	203	1.4	3.4
Direct	41	40	40	2.5	2.5
Group and other	11	10	9	10.0	22.2
Total	**262**	**257**	**252**	**1.9**	**4.0**

Life risk new business

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Total new business	11	12	12	(8.3)	(8.3)

Funds under management and administration

Policyholder funds under management and administration of $677m relate to legacy life and superannuation products which are closed to new business. The value of funds has decreased over the period, as a result of lower investment earnings and policyholder withdrawals. These funds are expected to reduce over the longer term.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Funds under management and administration					
Opening balance at the start of the period	725	721	693	0.6	4.6
Net inflows (outflows), investment income and other	(48)	4	28	n/a	n/a
Balance at the end of the period	**677**	**725**	**721**	**(6.6)**	**(6.1)**

Market adjustments

Market adjustments are mainly comprised of balance sheet revaluations of policy liabilities and shareholder investment assets, which are expected to neutralise through the cycle. Market adjustments were impacted by a decrease of approximately 40bps in long-term interest rates.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Life risk policy liability impact	1	1	2	-	(50.0)
Annuities market adjustments	(1)	-	-	n/a	n/a
Investment income experience	1	-	1	n/a	-
Total market adjustments	**1**	**1**	**3**	**-**	**(66.7)**

Life risk policy liability impact

Risk-free rates are used to discount Life risk policy liabilities. Net policy liabilities are negative (ie. an asset) due to the level of deferred acquisition costs (DAC) held against the risk policy liabilities. An increase in discount rates leads to a loss while a decrease leads to a gain. This volatility represents the impact of accounting revaluation adjustments to reflect the movements of interest rates and the impact on the DAC. This impact was a net profit of $1m for the year.

Invested shareholder assets

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Cash	19	20	27	(5.0)	(29.6)
Fixed interest securities	227	234	217	(3.0)	4.6
Total	**246**	**254**	**244**	**(3.1)**	**0.8**

Investment income experience

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	NZ$M	NZ$M	NZ$M	%	%
Shareholder investment income on invested assets	4	3	4	33.3	-
Less underlying investment income	(3)	(3)	(3)	-	-
Investment income experience	**1**	**-**	**1**	**n/a**	**-**

3.0 APPENDICES

3.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Consolidated statement of comprehensive income (statutory view)

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Revenue					
Insurance premium income	5,000	4,821	4,860	3.7	2.9
Reinsurance and other recoveries income	715	334	485	114.1	47.4
Interest income on					
financial assets not at fair value through profit or loss	1,278	1,245	1,258	2.7	1.6
financial assets at fair value through profit or loss	239	228	228	4.8	4.8
Net gains on financial assets and liabilities at fair value through profit or loss	-	76	77	(100.0)	(100.0)
Dividend and trust distribution income	20	18	16	11.1	25.0
Fees and other income	257	266	278	(3.4)	(7.6)
Total revenue	**7,509**	**6,988**	**7,202**	**7.5**	**4.3**
Expenses					
Claims expense and movement in policyowner liabilities	(3,923)	(3,067)	(3,584)	27.9	9.5
Outwards reinsurance premium expense	(575)	(577)	(561)	(0.3)	2.5
Underwriting and policy maintenance expenses	(1,071)	(1,038)	(1,059)	3.2	1.1
Interest expense on					
financial liabilities at amortised cost	(707)	(673)	(671)	5.1	5.4
financial liabilities at fair value through profit or loss	(43)	(43)	(45)	-	(4.4)
Net losses on financial assets and liabilities at fair value through profit or loss	(122)	-	-	n/a	n/a
Impairment loss on financial assets	(7)	(14)	(13)	(50.0)	(46.2)
Impairment loss on goodwill and intangible assets	-	-	-	n/a	n/a
Amortisation and depreciation expense	(86)	(90)	(85)	(4.4)	1.2
Fees, overheads and other expenses	(469)	(606)	(536)	(22.6)	(12.5)
Outside beneficial interests in managed funds	38	(60)	(59)	n/a	n/a
Total expenses	**(6,965)**	**(6,168)**	**(6,613)**	**12.9**	**5.3**
Profit before income tax	**544**	**820**	**589**	**(33.7)**	**(7.6)**
Income tax expense	(155)	(260)	(180)	(40.4)	(13.9)
Profit after tax from continuing operations	389	560	409	(30.5)	(4.9)
Profit (loss) after tax from discontinued operations [(1)]	(130)	51	52	n/a	n/a
Profit for the period	**259**	**611**	**461**	**(57.6)**	**(43.8)**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	10	18	(2)	(44.4)	n/a
Net change in fair value of available-for-sale financial assets	-	(9)	(3)	(100.0)	(100.0)
Net change in financial assets at fair value through other comprehensive income	(6)	-	-	n/a	n/a
Net change in net investment hedge of foreign operations	-	1	-	(100.0)	-
Exchange differences on translation of foreign operations	27	7	(43)	285.7	n/a
Income tax (expense) benefit	(3)	(3)	2	-	n/a
	28	14	(46)	100.0	n/a
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on defined benefit plans	(7)	2	-	n/a	n/a
Income tax (expense) benefit	2	(1)	-	n/a	n/a
	(5)	1	-	n/a	n/a
Total other comprehensive income for the period	**23**	**15**	**(46)**	**53.3**	**n/a**
Total comprehensive income for the period	**282**	**626**	**415**	**(55.0)**	**(32.0)**
Profit for the period attributable to:					
Owners of the Company	250	607	452	(58.8)	(44.7)
Non-controlling interests	9	4	9	125.0	-
Profit for the period	**259**	**611**	**461**	**(57.6)**	**(43.8)**
Total comprehensive income for the period attributable to:					
Owners of the Company	273	622	406	(56.1)	(32.8)
Non-controlling interests	9	4	9	125.0	-
Total comprehensive income for the period	**282**	**626**	**415**	**(55.0)**	**(32.0)**

(1) Profit (loss) after tax from discontinued operations for 1H19 includes a $145m write down of goodwill and $10m of transaction and separation costs relating to the sale of the Australian Life business.

Consolidated statement of financial position (statutory view)

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,542	1,165	1,143	32.4	34.9
Receivables due from other banks	351	474	470	(25.9)	(25.3)
Trading securities	1,540	1,639	1,512	(6.0)	1.9
Derivatives	420	256	154	64.1	172.7
Investment securities	18,570	22,706	22,533	(18.2)	(17.6)
Loans and advances	59,031	58,598	57,635	0.7	2.4
Premiums outstanding	2,568	2,668	2,544	(3.7)	0.9
Reinsurance and other recoveries	2,288	2,377	2,746	(3.7)	(16.7)
Deferred reinsurance assets	554	834	550	(33.6)	0.7
Deferred acquisition costs	723	706	699	2.4	3.4
Gross policy liabilities ceded under reinsurance	17	528	536	(96.8)	(96.8)
Property, plant and equipment	210	211	216	(0.5)	(2.8)
Deferred tax assets	210	203	208	3.4	1.0
Goodwill and other intangible assets	5,529	5,722	5,768	(3.4)	(4.1)
Other assets	1,230	1,246	1,145	(1.3)	7.4
Assets held for sale	4,532	-	-	n/a	n/a
Total assets	**99,315**	**99,333**	**97,859**	**(0.0)**	**1.5**
Liabilities					
Payables due to other banks	273	148	54	84.5	405.6
Deposits and short-term borrowings	46,160	45,550	45,612	1.3	1.2
Derivatives	236	207	312	14.0	(24.4)
Amounts due to reinsurers	270	747	312	(63.9)	(13.5)
Payables and other liabilities	1,493	2,062	1,735	(27.6)	(13.9)
Current tax liabilities	31	68	2	(54.4)	n/a
Unearned premium liabilities	5,039	5,036	4,889	0.1	3.1
Outstanding claims liabilities	10,496	10,176	10,660	3.1	(1.5)
Gross policy liabilities	-	2,721	2,807	(100.0)	(100.0)
Deferred tax liabilities	131	129	121	1.6	8.3
Managed funds units on issue	956	1,285	1,256	(25.6)	(23.9)
Securitisation liabilities	4,278	4,848	4,111	(11.8)	4.1
Debt issues	10,602	9,854	9,722	7.6	9.1
Loan capital	2,357	2,529	2,527	(6.8)	(6.7)
Liabilities held for sale	3,369	-	-	n/a	n/a
Total liabilities	**85,691**	**85,360**	**84,120**	**0.4**	**1.9**
Net assets	**13,624**	**13,973**	**13,739**	**(2.5)**	**(0.8)**
Equity					
Share capital	12,880	12,863	12,820	0.1	0.5
Reserves	193	135	117	43.0	65.0
Retained profits	536	965	789	(44.5)	(32.1)
Total equity attributable to owners of the Company	**13,609**	**13,963**	**13,726**	**(2.5)**	**(0.9)**
Non-controlling interests	15	10	13	50.0	15.4
Total equity	**13,624**	**13,973**	**13,739**	**(2.5)**	**(0.8)**

Consolidated statement of financial position by function

	General Insurance Dec-18 $M	Banking Dec-18 $M	Life Dec-18 $M	Corporate Dec-18 $M	Eliminations Dec-18 $M	Consolidation Dec-18 $M
Assets						
Cash and cash equivalents	368	1,124	464	37	(451)	1,542
Receivables due from other banks	-	351	-	-	-	351
Trading securities	-	1,540	-	-	-	1,540
Derivatives	32	381	12	-	(5)	420
Investment securities	12,776	3,972	1,433	14,451	(14,062)	18,570
Loans and advances	-	59,031	-	-	-	59,031
Premiums outstanding	2,567	-	1	-	-	2,568
Reinsurance and other recoveries	2,227	-	61	-	-	2,288
Deferred reinsurance assets	554	-	-	-	-	554
Deferred acquisition costs	720	-	3	-	-	723
Gross policy liabilities ceded under reinsurance	-	-	17	-	-	17
Property, plant and equipment	58	-	2	150	-	210
Deferred tax assets	53	47	3	107	-	210
Goodwill and other intangible assets	4,880	262	67	320	-	5,529
Other assets	851	162	68	148	1	1,230
Due from related parties	151	370	70	951	(1,542)	-
Assets held for sale	-	-	4,532	-	-	4,532
Total assets	**25,237**	**67,240**	**6,733**	**16,164**	**(16,059)**	**99,315**
Liabilities						
Payables due to other banks	-	273	-	-	-	273
Deposits and short-term borrowings	-	46,633	-	-	(473)	46,160
Derivatives	64	173	-	1	(2)	236
Amounts due to reinsurers	268	-	2	-	-	270
Payables and other liabilities	707	340	38	410	(2)	1,493
Current tax liabilities	29	-	1	1	-	31
Unearned premium liabilities	5,037	-	2	-	-	5,039
Outstanding claims liabilities	10,352	-	144	-	-	10,496
Gross policy liabilities	-	-	-	-	-	-
Deferred tax liabilities	19	-	112	-	-	131
Managed funds units on issue	-	-	1,077	-	(121)	956
Securitised liabilities	-	4,278	-	-	-	4,278
Debt issues	-	10,602	-	-	-	10,602
Loan capital	552	672	-	1,733	(600)	2,357
Due to related parties	242	73	15	612	(942)	-
Liabilities held for sale	-	-	3,369	-	-	3,369
Total liabilities	**17,270**	**63,044**	**4,760**	**2,757**	**(2,140)**	**85,691**
Net assets	**7,967**	**4,196**	**1,973**	**13,407**	**(13,919)**	**13,624**
Equity						
Share capital						12,880
Reserves						193
Retained profits						536
Total equity attributable to owners of the Company						**13,609**
Non-controlling interests						15
Total equity						**13,624**

3.2 SGL STATEMENT OF FINANCIAL POSITION, PROFIT CONTRIBUTION AND INVESTMENTS

SGL statement of financial position

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Current assets					
Cash and cash equivalents	13	6	18	116.7	(27.8)
Financial assets at fair value through profit or loss	534	552	589	(3.3)	(9.3)
Due from related parties	67	107	64	(37.4)	4.7
Other assets	72	4	19	n/a	278.9
Total current assets	**686**	**669**	**690**	**2.5**	**(0.6)**
Non-current assets					
Investment in subsidiaries	13,954	14,096	14,063	(1.0)	(0.8)
Due from related parties	603	770	770	(21.7)	(21.7)
Deferred tax assets	10	7	7	42.9	42.9
Other assets	65	81	88	(19.8)	(26.1)
Total non-current assets	**14,632**	**14,954**	**14,928**	**(2.2)**	**(2.0)**
Total assets	**15,318**	**15,623**	**15,618**	**(2.0)**	**(1.9)**
Current liabilities					
Derivatives	1	-	-	n/a	n/a
Payables and other liabilities	5	9	5	(44.4)	-
Current tax liabilities	-	54	-	(100.0)	-
Due to related parties	109	19	46	473.7	137.0
Total current liabilities	**115**	**82**	**51**	**40.2**	**125.5**
Non-current liabilities					
Loan capital	1,733	1,905	1,903	(9.0)	(8.9)
Total non-current liabilities	**1,733**	**1,905**	**1,903**	**(9.0)**	**(8.9)**
Total liabilities	**1,848**	**1,987**	**1,954**	**(7.0)**	**(5.4)**
Net assets	**13,470**	**13,636**	**13,664**	**(1.2)**	**(1.4)**
Equity					
Share capital	12,957	12,957	12,921	-	0.3
Retained profits	513	679	743	(24.4)	(31.0)
Total equity	**13,470**	**13,636**	**13,664**	**(1.2)**	**(1.4)**

SGL profit contribution

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Revenue					
Dividend and interest income from subsidiaries	644	407	567	58.2	13.6
Interest and trust distribution income on financial assets at fair value through profit or loss	15	9	8	66.7	87.5
Other income	1	2	2	(50.0)	(50.0)
Total revenue	660	418	577	57.9	14.4
Expenses					
Interest expense on financial liabilities at amortised cost	(48)	(44)	(48)	9.1	-
Impairment loss on investment in subsidiaries	(153)	-	-	n/a	n/a
Operating expenses	(2)	(2)	(2)	-	-
Total expenses	(203)	(46)	(50)	341.3	306.0
Profit before income tax	457	372	527	22.8	(13.3)
Income tax expense	-	(8)	(1)	(100.0)	(100.0)
Profit for the period	**457**	**364**	**526**	**25.5**	**(13.1)**

SGL investment portfolio

Suncorp Group Limited's investment portfolio supports the Group non-operating holding company (NOHC) structure and distributions to shareholders. Investment assets were $548m at 31 December 2018 and comprised 47% cash and 53% high quality fixed income securities, with an interest rate duration of 0.8 years, credit spread duration of 1.3 years and an average credit rating of 'A'. Investment income was $11m, representing an annualised return of 3.9%.

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Investment income					
Cash and short-term deposits	6	2	3	200.0	100.0
Interest-bearing securities and other	5	6	6	(16.7)	(16.7)
Total	**11**	**8**	**9**	**37.5**	**22.2**

3.3 GROUP EPS CALCULATIONS

Earnings per share

	Half Year Ended		
	Dec-18 $M	Jun-18 $M	Dec-17 $M
Earnings:			
Profit attributable to ordinary equity holders of the company (basic)	250	607	452
Interest expense on convertible preference shares (net of tax)	8	7	18
Interest expense on convertible capital notes (net of tax)	15	16	9
Profit attributable to ordinary equity holders of the company (diluted)	**273**	**630**	**479**

	Half Year Ended		
	Dec-18 No. of Shares	Jun-18 No. of Shares	Dec-17 No. of Shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,292,568,325	1,290,364,536	1,287,194,972
Effect of conversion of convertible preference shares	31,188,991	28,409,196	62,565,335
Effect of conversion of convertible capital notes	58,479,358	53,267,242	32,227,479
Weighted average number of ordinary shares (diluted)	**1,382,236,674**	**1,372,040,974**	**1,381,987,786**

Cash earnings per share

	Half Year Ended		
	Dec-18 $M	Jun-18 $M	Dec-17 $M
Earnings:			
Cash profit attributable to ordinary equity holders of the company (basic)	413	626	472
Interest expense on convertible preference shares (net of tax)	8	7	18
Interest expense on convertible capital notes (net of tax)	15	16	9
Cash profit attributable to ordinary equity holders of the company (diluted)	**436**	**649**	**499**

	Half Year Ended		
	Dec-18 No. of Shares	Jun-18 No. of Shares	Dec-17 No. of Shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,292,568,325	1,290,364,536	1,287,194,972
Effect of conversion of convertible preference shares	31,188,991	28,409,196	62,565,335
Effect of conversion of convertible capital notes	58,479,358	53,267,242	32,227,479
Weighted average number of ordinary shares (diluted)	**1,382,236,674**	**1,372,040,974**	**1,381,987,786**

3.4 ASX LISTED SECURITIES

	Half Year Ended		
	Dec-18	Jun-18	Dec-17
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,298,503,953	1,298,503,953	1,296,020,378
Dividend declared for the period (cents per share)	26	48	33
Convertible preference shares (SUNPE) each fully paid			
Number at the end of the period	4,000,000	4,000,000	4,000,000
Dividend declared for the period ($ per share) (1)	1.87	1.89	1.80
Convertible Capital Notes (SUNPF) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution for the period ($ per note) (1)	2.12	2.13	2.04
Convertible Capital Notes (SUNPG) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution for the period ($ per note) (1)	1.96	1.98	1.19
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	715,383	715,383	715,383
Interest per note	1.36	1.28	1.24

(1) Classified as interest expense.

3.5 GENERAL INSURANCE ITR SPLIT

Insurance (Australia) — Consumer Insurance

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Gross written premium	2,575	2,612	2,502	(1.4)	2.9
Net earned premium	2,319	2,216	2,206	4.6	5.1
Net incurred claims	(1,829)	(1,481)	(1,731)	23.5	5.7
Acquisition expenses	(273)	(254)	(249)	7.5	9.6
Other underwriting expenses	(177)	(150)	(174)	18.0	1.7
Total operating expenses	**(450)**	**(404)**	**(423)**	**11.4**	**6.4**
Underwriting result	**40**	**331**	**52**	**(87.9)**	**(23.1)**
Investment income - insurance funds	12	27	28	(55.6)	(57.1)
Insurance trading result	**52**	**358**	**80**	**(85.5)**	**(35.0)**

	%	%	%
Ratios			
Acquisition expenses ratio	11.8	11.5	11.3
Other underwriting expenses ratio	7.6	6.8	7.9
Total operating expenses ratio	**19.4**	**18.3**	**19.2**
Loss ratio	78.9	66.8	78.5
Combined operating ratio	98.3	85.1	97.7
Insurance trading ratio	**2.2**	**16.2**	**3.6**

Note: Consumer Insurance includes Home, Motor, Boat and Travel Insurance.

Insurance (Australia) — Commercial Insurance, CTP, Workers Compensation and Internal Reinsurance

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Gross written premium	1,526	1,521	1,502	0.3	1.6
Net earned premium	1,370	1,332	1,437	2.9	(4.7)
Net incurred claims	(1,026)	(852)	(993)	20.4	3.3
Acquisition expenses	(224)	(250)	(236)	(10.4)	(5.1)
Other underwriting expenses	(95)	(79)	(114)	20.3	(16.7)
Total operating expenses	**(319)**	**(329)**	**(350)**	**(3.0)**	**(8.9)**
Underwriting result	**25**	**151**	**94**	**(83.4)**	**(73.4)**
Investment income - insurance funds	113	111	92	1.8	22.8
Insurance trading result	**138**	**262**	**186**	**(47.3)**	**(25.8)**

	%	%	%
Ratios			
Acquisition expenses ratio	16.4	18.8	16.4
Other underwriting expenses ratio	6.9	5.9	8.0
Total operating expenses ratio	**23.3**	**24.7**	**24.4**
Loss ratio	74.9	64.0	69.1
Combined operating ratio	98.2	88.7	93.5
Insurance trading ratio	**10.1**	**19.7**	**12.9**

General Insurance short-tail (includes New Zealand)

	Half Year Ended Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Short-tail					
Gross written premium	3,837	3,794	3,675	1.1	4.4
Net earned premium	3,353	3,185	3,142	5.3	6.7
Net incurred claims	(2,424)	(2,128)	(2,303)	13.9	5.3
Acquisition expenses	(517)	(487)	(478)	6.2	8.2
Other underwriting expenses	(276)	(250)	(275)	10.4	0.4
Total operating expenses	**(793)**	**(737)**	**(753)**	**7.6**	**5.3**
Underwriting result	**136**	**320**	**86**	**(57.5)**	**58.1**
Investment income - insurance funds	21	36	39	(41.7)	(46.2)
Insurance trading result	**157**	**356**	**125**	**(55.9)**	**25.6**

	%	%	%
Ratios			
Acquisition expenses ratio	15.4	15.3	15.2
Other underwriting expenses ratio	8.2	7.8	8.8
Total operating expenses ratio	**23.6**	**23.1**	**24.0**
Loss ratio	72.3	66.8	73.3
Combined operating ratio	95.9	89.9	97.3
Insurance trading ratio	**4.7**	**11.2**	**4.0**

General Insurance long-tail (includes New Zealand)

	Half Year Ended Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Long-tail					
Gross written premium	1,032	1,058	1,032	(2.5)	-
Net earned premium	977	967	1,065	1.0	(8.3)
Net incurred claims	(746)	(568)	(740)	31.3	0.8
Acquisition expenses	(129)	(148)	(136)	(12.8)	(5.1)
Other underwriting expenses	(48)	(38)	(66)	26.3	(27.3)
Total operating expenses	**(177)**	**(186)**	**(202)**	**(4.8)**	**(12.4)**
Underwriting result	**54**	**213**	**123**	**(74.6)**	**(56.1)**
Investment income - insurance funds	111	107	88	3.7	26.1
Insurance trading result	**165**	**320**	**211**	**(48.4)**	**(21.8)**

	%	%	%
Ratios			
Acquisition expenses ratio	13.2	15.3	12.8
Other underwriting expenses ratio	4.9	3.9	6.2
Total operating expenses ratio	**18.1**	**19.2**	**19.0**
Loss ratio	76.4	58.7	69.5
Combined operating ratio	94.5	77.9	88.5
Insurance trading ratio	**16.9**	**33.1**	**19.8**

3.6 GROUP CAPITAL

Group capital position

	As at 31 December 2018					
	General Insurance	Banking	Life	SGL, Corp Services & Consol	Total	As at 30 June 2018 Total
	$M	$M	$M	$M	$M	$M
Common Equity Tier 1 capital						
Ordinary share capital	-	-	-	12,873	12,873	12,873
Subsidiary share capital (eliminated upon consolidation)	7,375	3,870	1,981	(13,225)	1	-
Reserves	24	(992)	317	816	165	131
Retained profits and non-controlling interests	(11)	657	(360)	266	552	976
Insurance liabilities in excess of liability valuation	505	-	-	-	505	538
Goodwill and other intangible assets	(4,861)	(492)	(67)	(338)	(5,758)	(5,952)
Net deferred tax liabilities/(assets) [(1)]	(75)	(42)	109	(106)	(114)	(112)
Policy liability adjustment [(2)]	-	-	(1,495)	-	(1,495)	(1,487)
Other Tier 1 deductions	(13)	11	-	(78)	(80)	(86)
Common Equity Tier 1 capital	**2,944**	**3,012**	**485**	**208**	**6,649**	**6,881**
Additional Tier 1 capital						
Eligible hybrid capital	565	550	35	-	1,150	1,150
Additional Tier 1 capital	**565**	**550**	**35**	**-**	**1,150**	**1,150**
Tier 1 capital	**3,509**	**3,562**	**520**	**208**	**7,799**	**8,031**
Tier 2 capital						
General reserve for credit losses	-	152	-	-	152	157
Eligible Subordinated notes	555	600	-	-	1,155	1,325
Transitional Subordinated notes [(3)]	-	72	-	-	72	72
Tier 2 capital	**555**	**824**	**-**	**-**	**1,379**	**1,554**
Total capital	**4,064**	**4,386**	**520**	**208**	**9,178**	**9,585**
Represented by:						
Capital in Australian regulated entities	3,523	4,378	355	-	8,256	8,661
Capital in New Zealand regulated entities	480	-	93	-	573	520
Capital in unregulated entities [(4)]	61	8	72	208	349	404

(1) Deferred tax assets in excess of deferred tax liabilities are deducted in arriving at CET1. Under the Reserve Bank of New Zealand's regulations, a net deferred tax liability is added back in determining Common Equity Tier 1 Capital.

(2) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policy owner retained profits. This mainly represents the implicit Deferred Acquisition Costs for the Life risk business. The policy liability adjustment for the New Zealand business is shown gross of Deferred Tax Liabilities.

(3) Tier 2 instruments subject to the transitional arrangements outlined in APRA's prudential standard APS111 Attachment L.

(4) Capital in unregulated entities includes capital in authorised NOHCs such as SGL, consolidated adjustments within a business unit and other diversification adjustments.

General Insurance capital

	GI Group [1] Dec-18 $M	GI Group [1] Jun-18 $M
Common Equity Tier 1 capital		
Ordinary share capital	7,375	7,375
Reserves	24	6
Retained profits and non-controlling interests	(11)	308
Insurance liabilities in excess of liability valuation	505	538
Goodwill and other intangible assets	(4,861)	(4,878)
Net deferred tax assets	(75)	(62)
Other Tier 1 deductions	(13)	(7)
Common Equity Tier 1 capital	**2,944**	**3,280**
Additional Tier 1 capital	**565**	**565**
Tier 1 capital	**3,509**	**3,845**
Tier 2 Capital		
Eligible subordinated notes	555	555
Transitional subordinated notes	-	-
Tier 2 capital	**555**	**555**
Total capital	**4,064**	**4,400**
Prescribed Capital Amount		
Outstanding claims risk charge	965	920
Premium liabilities risk charge	562	554
Total insurance risk charge	1,527	1,474
Insurance concentration risk charge	250	250
Asset risk charge	853	895
Asset concentration risk charge	-	-
Operational risk charge	314	299
Aggregation benefit	(511)	(524)
Total Prescribed Capital Amount (PCA)	**2,433**	**2,394**
Common Equity Tier 1 ratio	**1.21**	**1.37**
Total capital ratio	**1.67**	**1.84**

[1] GI Group – Suncorp Insurance Holdings Ltd and its subsidiaries (includes New Zealand subsidiaries).

Bank capital

	Regulatory Banking Group	Other Entities	Statutory Banking Group	Statutory Banking Group
	Dec-18	Dec-18	Dec-18	Jun-18
	$M	$M	$M	$M
Common Equity Tier 1 capital				
Ordinary share capital	2,648	1,222	3,870	3,870
Reserves	(5)	(987)	(992)	(1,001)
Retained profits	644	13	657	602
Goodwill and other intangible assets	(252)	(240)	(492)	(499)
Net deferred tax assets	(42)	-	(42)	(37)
Other Tier 1 deductions	11	-	11	17
Common Equity Tier 1 capital	**3,004**	**8**	**3,012**	**2,952**
Additional Tier 1 capital				
Eligible hybrid capital	550	-	550	550
Additional Tier 1 capital	**550**	**-**	**550**	**550**
Tier 1 capital	**3,554**	**8**	**3,562**	**3,502**
Tier 2 capital				
General reserve for credit losses	152	-	152	157
Eligible Subordinated notes	600	-	600	670
Transitional Subordinated notes	72	-	72	72
Tier 2 capital	**824**	**-**	**824**	**899**
Total capital	**4,378**	**8**	**4,386**	**4,401**
Risk-Weighted Assets				
Credit risk	29,268	-	29,268	29,002
Market risk	85	-	85	88
Operational risk	3,512	-	3,512	3,473
Total Risk-Weighted Assets	**32,865**	**-**	**32,865**	**32,563**
Common Equity Tier 1 ratio	**9.14%**		**9.16%**	**9.07%**
Total capital ratio	**13.32%**		**13.35%**	**13.52%**

Life capital

	Life Co Australia	Life Co New Zealand [1]	Other Entities [2]	Total Life Group	Total Life Group
	Dec-18	Dec-18	Dec-18	Dec-18	Jun-18
	$M	$M	$M	$M	$M
Common Equity Tier 1 capital					
Ordinary share capital	730	204	1,047	1,981	1,980
Reserves	-	36	281	317	305
Retained profits and non-controlling interests	664	162	(1,186)	(360)	(209)
Goodwill and other intangible assets	-	-	(67)	(67)	(214)
Net deferred tax liabilities [3]	-	112	(3)	109	103
Policy liability adjustment [4]	(1,074)	(421)	-	(1,495)	(1,487)
Other Tier 1 deductions	-	-	-	-	-
Common Equity Tier 1 capital	**320**	**93**	**72**	**485**	**478**
Additional Tier 1 capital	**35**	**-**	**-**	**35**	**35**
Tier 1 capital	**355**	**93**	**72**	**520**	**513**
Tier 2 Capital					
Eligible Subordinated notes	-	-	-	-	100
Tier 2 capital	**-**	**-**	**-**	**-**	**100**
Total capital	**355**	**93**	**72**	**520**	**613**
Prescribed Capital Amount					
Insurance risk charge	-	29	-	29	27
Asset risk charge	64	28	-	92	97
Operational risk charge	31	-	-	31	31
Aggregation benefit	-	-	-	-	-
Combined stress scenario adjustment	61	-	-	61	67
Other regulatory requirements	-	-	17	17	18
Total Prescribed Capital Amount (PCA) [5]	**156**	**57**	**17**	**230**	**240**
Common Equity Tier 1 ratio	**2.05**	**1.63**	**4.24**	**2.11**	**1.99**
Total capital ratio	**2.28**	**1.63**	**4.24**	**2.26**	**2.55**

(1) Asteron Life Limited New Zealand regulatory capital is as prescribed in the Life Solvency Standard, issued by the Reserve Bank of New Zealand, set out in a consistent format with the LAGIC presentation for the Australian Life company.

(2) Other entities represent all other corporate, regulated and non-regulated entities in the Suncorp Life Group.

(3) Includes Deferred Tax Liabilities relating to the policy liability adjustment for the New Zealand business.

(4) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policy owner retained profits. This mainly represents the implicit Deferred Acquisition Costs (DAC) for the life risk business. The policy liability adjustment for the New Zealand business is shown gross of Deferred Tax Liabilities.

(5) PCA in other entities is reflective of Australian Financial Services License requirements being the greater of Net Tangible Assets (NTA), Surplus Liquid Fund (SLF), Cash Needs Requirement (CNR) and Operational Risk Financial Requirement (ORFR).

Capital Instruments

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	31 December 2018 GI $M	Bank $M	Life $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	-	330	329
AAIL Subordinated Debt [1]	330 bps	Nov 2020	Nov 2015	225	-	-	-	225	224
SGL Subordinated Debt [1] [2]	215 bps	Dec 2023	Sep 2018	-	600	-	-	600	596
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total subordinated debt				**555**	**672**	**-**	**-**	**1,227**	**1,221**
SGL CPS3 [1] [2]	340 bps	Jun 2020	May 2014	400	-	-	-	400	398
SGL Capital Notes [1] [2]	410 bps	Jun 2022	May 2017	-	375	-	-	375	370
SGL Capital Notes 2 [1] [2]	365 bps	Jun 2024	Nov 2017	165	175	35	-	375	369
Total Additional Tier 1 capital				**565**	**550**	**35**	**-**	**1,150**	**1,137**
Total				**1,120**	**1,222**	**35**	**-**	**2,377**	**2,358**

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 June 2018 GI $M	Bank $M	Life $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	-	330	328
AAIL Subordinated Debt [1]	330 bps	Nov 2020	Nov 2015	225	-	-	-	225	224
SGL Subordinated Debt [1] [2]	285 bps	Nov 2018	May 2013	-	670	100	-	770	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total subordinated debt				**555**	**742**	**100**	**-**	**1,397**	**1,394**
SGL CPS3 [1] [2]	340 bps	Jun 2020	May 2014	400	-	-	-	400	397
SGL Capital Notes [1] [2]	410 bps	Jun 2022	May 2017	-	375	-	-	375	369
SGL Capital Notes 2 [1] [2]	365 bps	Jun 2024	Nov 2017	165	175	35	-	375	369
Total Additional Tier 1 capital				**565**	**550**	**35**	**-**	**1,150**	**1,135**
Total				**1,120**	**1,292**	**135**	**-**	**2,547**	**2,529**

(1) Unamortised transaction costs related to external issuance are deducted from the "Accounting Balance" outlined above when recorded in the issuing entities balance sheet.

(2) These instruments were issued by SGL and deployed to regulated entities within the Group. The amounts held by SGL which have been deployed are eliminated on consolidation for accounting and regulatory purposes.

3.7 STATEMENT OF ASSETS AND LIABILITIES

General Insurance

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	368	426	590	(13.6)	(37.6)
Derivatives	32	20	22	60.0	45.5
Investment securities	12,776	12,930	12,136	(1.2)	5.3
Premiums outstanding	2,567	2,644	2,517	(2.9)	2.0
Reinsurance and other recoveries	2,227	2,209	2,553	0.8	(12.8)
Deferred reinsurance assets	554	834	550	(33.6)	0.7
Deferred acquisition costs	720	703	696	2.4	3.4
Due from related parties	151	124	210	21.8	(28.1)
Property, plant and equipment	58	54	49	7.4	18.4
Deferred tax assets	53	36	50	47.2	6.0
Goodwill and intangible assets	4,880	4,899	4,924	(0.4)	(0.9)
Other assets	851	804	761	5.8	11.8
Total assets	**25,237**	25,683	25,058	**(1.7)**	**0.7**
Liabilities					
Payables and other liabilities	707	831	648	(14.9)	9.1
Derivatives	64	35	15	82.9	326.7
Due to related parties	242	363	296	(33.3)	(18.2)
Deferred tax liabilities	19	17	17	11.8	11.8
Unearned premium liabilities	5,037	5,029	4,885	0.2	3.1
Outstanding claims liabilities	10,352	9,883	10,368	4.7	(0.2)
Loan capital	552	552	552	-	-
Current tax liabilities	29	8	-	262.5	n/a
Amount due to reinsurers	268	695	280	(61.4)	(4.3)
Total liabilities	**17,270**	**17,413**	**17,061**	**(0.8)**	**1.2**
Net assets	**7,967**	**8,270**	**7,997**	**(3.7)**	**(0.4)**

Reconciliation of net assets to Common Equity Tier 1 capital

	Dec-18	Jun-18	Dec-17
Net assets - GI businesses	**7,967**	**8,270**	**7,997**
Insurance liabilities in excess of liability valuation	505	538	459
Reserves excluded from regulatory capital	(14)	(16)	(15)
Additional Tier 1 capital	(565)	(565)	(510)
Goodwill allocated to GI businesses	(4,409)	(4,404)	(4,402)
Other intangibles (including software assets)	(527)	(536)	(575)
Other Tier 1 deductions	(13)	(7)	(6)
Common Equity Tier 1 capital	**2,944**	**3,280**	**2,948**

Life Insurance and Wealth

	Half Year Ended			Dec-18	Dec-18
	Dec-18	Jun-18	Dec-17	vs Jun-18	vs Dec-17
	$M	$M	$M	%	%
Assets					
Invested assets	658	513	439	28.3	49.9
Assets backing annuity policies	10	9	10	11.1	-
Assets backing participating policies	164	160	160	2.5	2.5
Deferred tax assets	3	10	-	(70.0)	n/a
Reinsurance ceded	17	14	13	21.4	30.8
Assets classified as held for sale	4,532	4,808	4,864	(5.7)	(6.8)
Other assets	205	122	114	68.0	79.8
Goodwill and intangible assets	67	69	70	(2.9)	(4.3)
Total assets	**5,656**	**5,705**	**5,670**	**(0.9)**	**(0.2)**
Liabilities					
Payables	58	89	41	(34.8)	41.5
Outstanding claims liabilities	144	134	130	7.5	10.8
Deferred tax liabilities	112	112	104	-	7.7
Liabilities classified as held for sale	3,369	3,259	3,289	3.4	2.4
Total liabilities	**3,683**	**3,594**	**3,564**	**2.5**	**3.3**
Net assets	**1,973**	**2,111**	**2,106**	**(6.5)**	**(6.3)**
Policyholder assets					
Assets					
Invested assets	167	175	172	(4.6)	(2.9)
Assets backing annuity policies	10	9	10	11.1	-
Assets backing participating policies	164	160	160	2.5	2.5
Assets classified as held for sale	2,712	2,693	2,729	0.7	(0.6)
Total Policyholder assets	**3,053**	**3,037**	**3,071**	**0.5**	**(0.6)**
Liabilities					
Policy liabilities	341	344	342	(0.9)	(0.3)
Liabilities classified as held for sale	2,712	2,693	2,729	0.7	(0.6)
Total Policyholder liabilities	**3,053**	**3,037**	**3,071**	**0.5**	**(0.6)**
Policyholder net assets	**-**	**-**	**-**	**-**	**-**
Shareholder assets					
Assets					
Invested assets	491	338	267	45.3	83.9
Deferred tax assets	3	10	-	(70.0)	n/a
Reinsurance ceded	17	14	13	21.4	30.8
Assets classified as held for sale	1,820	2,115	1,990	(13.9)	(8.5)
Other assets	205	122	114	68.0	79.8
Goodwill and intangible assets	67	69	215	(2.9)	(68.8)
Total Shareholder assets	**2,603**	**2,668**	**2,599**	**(2.4)**	**0.2**
Liabilities					
Payables	58	89	41	(34.8)	41.5
Outstanding claims liabilities	144	134	130	7.5	10.8
Deferred tax liabilities	112	112	104	-	7.7
Liabilities classified as held for sale	657	566	560	16.1	17.3
Policy liabilities	(341)	(344)	(342)	(0.9)	(0.3)
Total Shareholder liabilities	**630**	**557**	**493**	**13.1**	**27.8**
Shareholder net assets	**1,973**	**2,111**	**2,106**	**(6.5)**	**(6.3)**

Reconciliation of net assets to Common Equity Tier 1 capital			
Net assets - Life businesses	**1,973**	**2,111**	**2,106**
Goodwill & intangibles	(67)	(214)	(215)
Policy liability adjustment and deferred tax	(1,386)	(1,384)	(1,321)
Additional Tier 1 capital	(35)	(35)	(35)
Other Tier 1 deductions	-	-	-
Common Equity Tier 1 capital	**485**	**478**	**535**

Note: Comparatives have been restated to reflect the Australian Life Business held for sale.

Bank

	Dec-18 $M	Jun-18 $M	Dec-17 $M	Dec-18 vs Jun-18 %	Dec-18 vs Dec-17 %
Assets					
Cash and cash equivalents	1,124	506	363	122.1	209.6
Receivables due from other banks	351	474	470	(25.9)	(25.3)
Trading securities	1,540	1,639	1,512	(6.0)	1.9
Derivatives	381	224	117	70.1	225.6
Investment securities	3,972	4,058	4,576	(2.1)	(13.2)
Loans and advances	59,031	58,598	57,635	0.7	2.4
Due from related parties	370	362	317	2.2	16.7
Deferred tax assets	47	45	47	4.4	-
Other assets	162	177	147	(8.5)	10.2
Goodwill and intangible assets	262	262	262	-	-
Total assets	**67,240**	**66,345**	**65,446**	**1.3**	**2.7**
Liabilities					
Deposits and short-term borrowings	46,633	46,043	46,024	1.3	1.3
Derivatives	173	158	294	9.5	(41.2)
Payables due to other banks	273	148	54	84.5	405.6
Payables and other liabilities	340	423	405	(19.6)	(16.0)
Due to related parties	73	20	25	265.0	192.0
Securitisation liabilities	4,278	4,848	4,111	(11.8)	4.1
Debt issues	10,602	9,854	9,722	7.6	9.1
Subordinated notes	672	742	742	(9.4)	(9.4)
Total liabilities	**63,044**	**62,236**	**61,377**	**1.3**	**2.7**
Net assets	**4,196**	**4,109**	**4,069**	**2.1**	**3.1**

Reconciliation of net equity to Common Equity Tier 1 capital			
Net equity - Banking	**4,196**	**4,109**	**4,069**
Additional Tier 1 capital	(550)	(550)	(550)
Goodwill allocated to Banking Business	(240)	(240)	(240)
Regulatory capital equity adjustments	(8)	(17)	(16)
Regulatory capital adjustments	(283)	(279)	(265)
Other reserves excluded from Common Equity Tier 1 ratio	(111)	(88)	(84)
Common Equity Tier 1 capital	**3,004**	**2,935**	**2,914**

GLOSSARY

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Acquisition expense ratio – life insurance	Acquisition expenses, including upfront commissions, as a percentage of new business
ADI	Authorised Deposit-taking Institution
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from the Life Insurance underlying profit and recorded as annuity market adjustments
APRA	Australian Prudential Regulation Authority
Banking & Wealth function	Suncorp's Banking & Wealth business provides banking and wealth solutions to personal, small to medium enterprise and agribusiness customers
Basis points (bps)	A 'basis point' is 1/100th of a percentage point
Business Improvement Program (BIP)	A three-year, company-wide program focusing on five streams of work including digitising of customer experiences, sales and service channel optimisation, end-to-end process improvement, claims supply chain re-design and smarter procurement and streamlining the business
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets, the profit or loss on divestments and their tax effect
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Cash return on average shareholders' equity pre-goodwill	Cash earnings divided by average equity attributable to owners of the Company less goodwill. Averages are based on monthly balances over the period. The ratio is annualised for half years
Claims Handling Expenses (CHE)	Costs incurred in the investigation, assessment and settlement of a claim
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Commercial Insurance	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, and public liability and professional indemnity insurance
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank
Connected customers	A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products
Consumer Insurance	Consumer Insurance products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Credit risk-weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables

Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax
Embedded Value	Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Fire service levies (FSL) – Insurance (Australia)	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges
Fire service levies (FSL) – New Zealand	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges
Funds under management and administration	Funds where the Wealth business, in Australia and New Zealand, receives a fee for the administration and management of an asset portfolio
General insurance businesses	General insurance businesses include Insurance (Australia)'s general insurance business and New Zealand's general insurance business. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure rather than business functions structure
Gross earned premium	The total premium on insurance earned by an insurer during a specified period on premiums underwritten in the current and previous underwriting years
Gross non-performing loans	Gross impaired assets plus past due loans
Gross written premium	The total premium on insurance underwritten by an insurer during a specified period, before deduction of reinsurance premium
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years
Insurance (Australia) function	Suncorp's Insurance (Australia) business provides consumer, commercial, personal injury and life insurance products to the Australian market. Consumer insurance products include home and contents insurance, motor insurance and travel insurance. Commercial insurance products include commercial motor insurance, commercial property insurance, industrial special risk insurance, public liability and professional indemnity insurance. Personal injury insurance products includes CTP insurance and workers' compensation insurance
Insurance funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium
Life insurance businesses	Following the announcement of the sale of the Australian Life business in August 2018, the Insurance (Australia) Life Insurance business, combined with the Participating Wealth business previously reported through the Banking and Wealth function, has been disclosed separately as ‘Australian Life Business held for sale’ (see section 2.2) The remaining Life insurance business is the New Zealand's life insurance business
Life insurance policyholders' interests	Amounts due to an entity or person who owns a life insurance policy. This need not be the insured. This is distinct from shareholders’ interests
Life planned profit margin release	It includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)

Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Maintenance (or renewal) expense ratio	Expenses related to servicing in-force life insurance policies, including renewal or trail commissions, policy management and claim costs, expressed as a percentage of in-force premiums
Marketplace	Suncorp's marketplace is a connected network of brands, solutions, partners, and channels to empower customers to improve their financial wellbeing and deliver outstanding customer experiences and deepen Suncorp's relationships with its customers. This involves building an ecosystem of partners that will provide a suite of relevant products and offers that meet the needs of the customer in the key moments that matter in their lives
Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year
Net incurred claims – Insurance (Australia)	The amount of claims incurred during an accounting period after deducting reinsurance recoveries
Net incurred claims - New Zealand	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries
Net interest margin (NIM)	Net interest income divided by average interest earning assets (gross of offset accounts). NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest bearing liabilities (funding)
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net profit after tax (NPAT)	Net profit after tax attributable to owners of Suncorp derived in accordance with Australian Accounting Standards
Net Stable Funding Ratio (NSFR)	The NSFR measures the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF is the amount of capital and liabilities that are expected to be a reliable source of funds over a 1-year time horizon. The amount of RSF is based on the liquidity characteristics and residual maturity of assets and off-balance sheet activities. The requirement to maintain an NSFR of at least 100% was introduced on 1 January 2018
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
New Zealand function	Suncorp's New Zealand business distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as directly to customers via joint ventures
Operating functions	Suncorp has three operating functions - Insurance (Australia), Banking & Wealth and New Zealand. The operating functions are responsible for product design, manufacturing, claims management and end-to-end responsibility for the statutory entities within Suncorp Group
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid

Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax
Prescribed capital amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk, operational risk, combined stress scenario and aggregation benefit as required by APRA
Profit after tax from functions	The net profit after tax for the Insurance (Australia), Banking & Wealth and New Zealand functions
Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all or a share of certain claims incurred by the insurance company. Suncorp's reinsurance arrangements currently include a main catastrophe program, a 30 percent, multi-year, proportional quota share arrangement to reduce geographic concentration to the Queensland home insurance market and a natural hazards aggregate protection cover
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years
Shareholders' funds	Shareholders' funds are part of the investment portfolio and are managed separately from insurance funds
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months
Top-line growth	Top-line growth is derived from a weighted-average calculation of underlying year-on-year growth in Suncorp Group's key business segments. Top-line growth percentage is calculated as growth in general insurance gross written premium (65% weighting), growth in retail and business lending assets (weighting 25%) and growth in life insurance in-force premium (10% weighting)
Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA
Total operating expense ratio – general insurance	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries
Ultimate net loss (UNL) – New Zealand	Financial obligation when an insured event occurs, net of the catastrophe treaty
Underlying Insurance Trading Ratio (Underlying ITR)	The insurance trading ratio is adjusted for reported prior year reserve releases and natural hazards claims costs above/below long-run expectations, investment income mismatch and any abnormal expenses

FINANCIAL CALENDAR (1)

Ordinary Shares (SUN)

Half year results and interim dividend announcement	**14 February 2019**
Ex-dividend date	20 February 2019
Dividend payment	2 April 2019
Full year results and final dividend announcement	**8 August 2019**
Ex-dividend date	14 August 2019
Dividend payment	25 September 2019
Annual General Meeting	**26 September 2019**

Floating Rate Capital Notes (SBKHB)

Ex-interest date	14 February 2019
Interest payment	4 March 2019
Ex-interest date	14 May 2019
Interest payment	30 May 2019
Ex-interest date	14 August 2019
Interest payment	30 August 2019
Ex-interest date	14 November 2019
Interest payment	2 December 2019

Convertible Preference Shares 3 (SUNPE)

Ex-dividend date	1 March 2019
Dividend payment	18 March 2019
Ex-dividend date	30 May 2019
Dividend payment	17 June 2019
Ex-dividend date	2 September 2019
Dividend payment	17 September 2019
Ex-dividend date	2 December 2019
Dividend payment	17 December 2019

Suncorp Capital Notes (SUNPF)

Ex-distribution date	1 March 2019
Distribution payment	18 March 2019
Ex-distribution date	30 May 2019
Distribution payment	17 June 2019
Ex-distribution date	2 September 2019
Distribution payment	17 September 2019
Ex-distribution date	2 December 2019
Distribution payment	17 December 2019

Suncorp Capital Notes 2 (SUNPG)

Ex-distribution date	1 March 2019
Distribution payment	18 March 2019
Ex-distribution date	30 May 2019
Distribution payment	17 June 2019
Ex-distribution date	2 September 2019
Distribution payment	17 September 2019
Ex-distribution date	2 December 2019
Distribution payment	17 December 2019

(1) All dates are subject to change.